The Great U-Turn: The Impact of Growing Inequality in America

Omicron Delta Epsilon
St. Michael’s College
April 21, 2016

Barry Bluestone
Dukakis Center for Urban & Regional Policy
Northeastern University
School of Public Policy & Urban Affairs
www.northeastern.edu/dukakiscenter

A “Think and Do” Tank
The Beginnings of a Debate

In the summer of 1986, my colleague, Bennett Harrison, and I were commissioned by the U.S. Congressional Joint Economic Committee to prepare a report on the quality of jobs generated during the 1960s, 1970’s, and 1980s.

That report was made public in December 1986 and entitled “The Great American Jobs Machine”.

A New York Times OpEd followed in February
The Reagan Administration Response

The Reagan White placed a small army of researchers on the task of examining the jobs data in our OpEd.

Based on that research, in an article entitled “They’re Not ‘McJobs’” appearing in the Washington Post, Secretary of Labor William E. Brock suggested that “new life has been injected into this 20th Century Flat Earth Society” comprised of believers in the ‘bad job myth.” (Washington Post, June 11, 1987)

What followed was something of an “academic battle royal” over whether America was creating more bad jobs than good and whether America was becoming a more unequal society … and from that came our second book together, The Great U-Turn: Corporate Restructuring and the Polarizing of America first published in 1988.
The Great U-Turn
Corporate Restructuring and the Polarizing of America

BENNETT HARRISON
and BARRY BLUESTONE
WHEN WE FIRST WROTE *The Great U-Turn* [published in 1988], we began with a simple and fundamental premise: what is essential to the American Dream is the promise of an ever-improving standard of living. Americans expect to find and hold higher-paying jobs as they get older, and they expect their children to fare even better …. Americans have always been willing to work and work hard. But we have grown to expect a good return for our effort.

We also presumed that the American Dream has traditionally been infused with a strong social conscience and an abiding belief that, all things considered, a more equal society is a more equitable one.

*The Great U-Turn* set out to investigate what had happened to the American Dream.
The Early Data

Wage and Salary Income

Family Income

Great U-Turns
Between 1947 and 1973 Real Average Weekly Wage increases by 60%

**FIGURE 1.1**

*Real Average Weekly Earnings, 1947–86 (in 1986 dollars)*

Between 1973 and 1986, Real Average Weekly Earnings decline by 14%.

**FIGURE 1.1**

*Real Average Weekly Earnings, 1947–86 (in 1986 dollars)*

The growth in low wage employment

**FIGURE 5.3**

*Low-Wage Share of Total Employment, 1963–86*

*(Year-Round, Full-Time Workers Earning a Maximum of $11,103 in 1986 Dollars)*

The Great U-Turn in Wage & Salary Inequality

FIGURE 5.2
Inequality in Annual Wages and Salaries, 1963–86 (decycled)
The beginning of Wage Polarization

The appearance of the “Missing Middle”

FIGURE 5.4
Net Change in Employment by Wage Stratum, 1963–86
(Year-Round Full-Time Workers)
Income Growth and the Changing Distribution of Family Income

From Growth with Greater Equity

... to Stagnation and Inequality
Between 1947 and 1973 Real Median Family Income Doubles  +104%

FIGURE 1.2
Real Median Family Income, 1947–86
(in 1986 dollars)

Real Family Growth by Quintile (1947-1973)

The Post-War Glory Days: Growth with Greater Equity

- Lowest Quintile: 116.1%
- 2nd Quintile: 97.1%
- Middle Quintile: 98.2%
- 4th Quintile: 103.0%
- Top Quintile: 84.8%
... and then Family Income Growth stops (1947-1973) vs. 1973-1986

FIGURE 1.2
Real Median Family Income, 1947–86
(in 1986 dollars)

How Family Income Grew
1973-1995

... and Income Inequality rises

<table>
<thead>
<tr>
<th>Income Level</th>
<th>Annual Percent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lowest 20%</td>
<td>-0.6%</td>
</tr>
<tr>
<td>Lower Middle</td>
<td>-0.2%</td>
</tr>
<tr>
<td>Middle</td>
<td>0.2%</td>
</tr>
<tr>
<td>Upper Middle</td>
<td>0.5%</td>
</tr>
<tr>
<td>Top 20%</td>
<td>1.3%</td>
</tr>
</tbody>
</table>

Source: U.S. Department of Labor
Average family income growth, by income group, 1947–2007

Note: Data are for money income.

Source: Authors’ analysis of Current Population Survey Annual Social and Economic Supplement Historical Income Tables (Tables F-2, F-3, and F-5)
The Great U-Turn

Family Income Inequality

FIGURE 1.3
Family Income Inequality, 1947–86
(GINI index)

<table>
<thead>
<tr>
<th></th>
<th>Poorest Fifth of All Families</th>
<th>Richest Fifth of All Families</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Average Family Income in 1986</strong></td>
<td>$9,779</td>
<td>$70,722</td>
</tr>
<tr>
<td>Under the 1968 Distribution</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Average Family Income in 1986</strong></td>
<td>$8,033</td>
<td>$76,310</td>
</tr>
<tr>
<td>under the 1986 Distribution</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Gain or Loss ($)</strong></td>
<td>$-1,746</td>
<td>$+5,588</td>
</tr>
<tr>
<td><strong>Gain or Loss (%)</strong></td>
<td>$-17.9</td>
<td>$+7.9</td>
</tr>
</tbody>
</table>

*This table is based on the number of families in the United States in 1968 and 1986, and on the distribution of total family income in those years.

That was then …
and now is now
Everybody’s Now Talking about Inequality

• "I ask you to ensure that humanity is served by wealth and not ruled by it. The growth of equality demands something more than economic growth, even though it presupposes it. It demands first of all a transcendent vision of the person… It also calls for decisions, mechanisms and processes directed to a better distribution of wealth, the creation of sources of employment and an integral promotion of the poor which goes beyond a simple welfare mentality."
  • Pope Francis at Davos 2014 Meeting

• “The cashier at a fast food chain makes significantly less than the company’s CEO. The problem we face is not simply the gap in pay between them, but rather that too many of those cashiers are stuck in the same job for years on end, unable to find one that pays better. And it is this lack of mobility, not just income inequality, that we should be focused on.”
  • Republican U.S. Senator Mark Rubio

• “And that is a dangerous and growing inequality and lack of upward mobility that has jeopardized middle-class America’s basic bargain -- that if you work hard, you have a chance to get ahead.”
  • President Barack Obama
Even Venture Capitalists & Billionaires

• “We’ve had it backward for the last 30 years. Rich businesspeople like me don’t create jobs. Rather they are a consequence of an ecosystemic feedback loop animated by middle-class consumers, and when they thrive, businesses grow and hire, and owners profit. That’s why taxing the rich to pay for investments that benefit all is a great deal for both the middle class and the rich.”

  • *Nick Hanauer, CEO and Venture Capitalist*

• “The Forbes 400, the wealthiest individuals in America, hit a new group record for wealth this year: $1.7 trillion. That’s more than five times the $300 billion total in 1992. My gang has been leaving the middle class in the dust.”

  • *Warren Buffett, CEO, Berkshire Hathaway*
New Data on Income Inequality

Source: Economic Policy Institute
Real Family Income (2000-2004)

- Lowest Quintile: -8.3%
- 2nd Quintile: -4.6%
- Middle Quintile: -2.6%
- 4th Quintile: -1.2%
- Top Quintile: -2.0%

Dawning of the 21st Century

2000-2004

Source: Economic Policy Institute
Percent Change in Real Median Household Income by Quintile
2007-2010

-9.2%
-7.5%
-6.2%
-5.0%
-4.0%

Source: Economic Policy Institute

The “Great Recession”

2007-2010
# Mean Real Household Income by Quintile $2009

<table>
<thead>
<tr>
<th>Quintile</th>
<th>1967</th>
<th>1974</th>
<th>2000</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lowest</td>
<td>$8,984</td>
<td>$10,917</td>
<td>$12,651</td>
<td>$10,852</td>
</tr>
<tr>
<td>2nd</td>
<td>$24,891</td>
<td>$27,134</td>
<td>$31,588</td>
<td>$28,163</td>
</tr>
<tr>
<td>3rd</td>
<td>$39,737</td>
<td>$43,726</td>
<td>$52,603</td>
<td>$48,494</td>
</tr>
<tr>
<td>4th</td>
<td>$55,599</td>
<td>$63,153</td>
<td>$81,774</td>
<td>$77,733</td>
</tr>
<tr>
<td>Highest</td>
<td>$100,059</td>
<td>$111,890</td>
<td>$177,203</td>
<td>$166,829</td>
</tr>
</tbody>
</table>

Source: Economic Policy Institute
Change in Real Median Household Income by Quintile
1967-2010

Source: Economic Policy Institute

<table>
<thead>
<tr>
<th>Quintile</th>
<th>Change in Real Median Household Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lowest</td>
<td>$1,868</td>
</tr>
<tr>
<td>2nd</td>
<td>$3,272</td>
</tr>
<tr>
<td>3rd</td>
<td>$8,757</td>
</tr>
<tr>
<td>4th</td>
<td>$22,134</td>
</tr>
<tr>
<td>Highest</td>
<td>$66,770</td>
</tr>
</tbody>
</table>
Percentage Change in Real Median Household Income by Quintile
1967-2010

Source: Economic Policy Institute

- Lowest: 20.8%
- 2nd: 13.1%
- 3rd: 22.0%
- 4th: 39.8%
- Highest: 66.7%
Figure 2

Income Gains at the Top Dwarf Those of Low- and Middle-Income Households

Percent change in real after-tax income since 1979

- Top 1 percent
- Next 19 percent
- Middle 60 percent
- Bottom 20 percent

Source: Congressional Budget Office

Center on Budget and Policy Priorities | cbpp.org
This large amount of inequality has been with us for at least 15 years.
Federal Taxes and Transfers Have Only Modest Effect on Concentration of Income

Distribution of income before federal taxes and transfers, 2005

- Top 1 percent: 19%
- Bottom 20 percent: 3%

Distribution of income after federal taxes and transfers, 2005

- Top 1 percent: 15%
- Bottom 20 percent: 6%

Top 81-99 percent: 38%
Middle 60 percent: 39%
Top 81-99 percent: 35%
Middle 60 percent: 45%

Source: CBPP calculations from Congressional Budget Office data. Note: Percentages do not add up to rounding.
Federal Taxes and Transfers Have Only Modest Effect on Concentration of Income

Distribution of income before federal taxes and transfers, 2005

- Top 1 percent: 19%
- Bottom 20 percent: 3%
- Middle: 60%
- Other: 18%

Distribution of income after federal taxes and transfers, 2005

- Top 1 percent: 15%
- Bottom 20 percent: 6%
- Middle: 60%
- Other: 25%

Source: CBPP calculations from Congressional Budget Office data. Note: Percentages do not add up to rounding.

Center on Budget and Policy Priorities | cbpp.org
Federal Taxes and Transfers Have Only Modest Effect on Concentration of Income

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<th>Distribution of income before federal taxes and transfers, 2005</th>
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<tbody>
<tr>
<td>Top 1 percent</td>
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</tr>
<tr>
<td>19%</td>
<td>15%</td>
</tr>
<tr>
<td>Bottom 20 percent</td>
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</tr>
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<td>3%</td>
<td>6%</td>
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<td>Top 81-99 percent</td>
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<tr>
<td>38%</td>
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<td>Middle 60 percent</td>
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Inequality in Cities
# Inequality Levels Vary Widely Across the Nation's Largest Cities

<table>
<thead>
<tr>
<th>City</th>
<th>Population, 2012</th>
<th>Household Income, 2012</th>
<th>Ratio</th>
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<tbody>
<tr>
<td>Highest Inequality</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>1 Atlanta, GA</td>
<td>443,768</td>
<td>$14,850</td>
<td>18.8</td>
</tr>
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<td>2 San Francisco, CA</td>
<td>825,863</td>
<td>$21,313</td>
<td>16.6</td>
</tr>
<tr>
<td>3 Miami, FL</td>
<td>413,864</td>
<td>$10,438</td>
<td>15.7</td>
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<tr>
<td>4 <strong>Boston, MA</strong></td>
<td>637,516</td>
<td>$14,604</td>
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<td>5 Washington, DC</td>
<td>632,323</td>
<td>$21,782</td>
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<td>6 New York, NY</td>
<td>8,336,697</td>
<td>$17,119</td>
<td>13.2</td>
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<td>7 Oakland, CA</td>
<td>400,740</td>
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<td>12.7</td>
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<td>8 Chicago, IL</td>
<td>2,714,844</td>
<td>$16,078</td>
<td>12.5</td>
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<td>9 Los Angeles, CA</td>
<td>3,857,786</td>
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<td>10 Baltimore, MD</td>
<td>621,342</td>
<td>$13,522</td>
<td>12.2</td>
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</table>

| Lowest Inequality |                  |                        |       |
| 41 Oklahoma City, OK | 599,309          | $18,835                | 8.5   |
| 42 Raleigh, NC     | 423,743          | $24,113                | 8.3   |
| 43 Omaha, NE       | 421,564          | $19,649                | 8.2   |
| 44 Fort Worth, TX  | 782,027          | $20,992                | 8.1   |
| 45 Colorado Springs, CO | 431,846        | $22,213                | 7.9   |
| 46 Wichita, KS     | 385,586          | $19,516                | 7.7   |
| 47 Las Vegas, NV   | 596,440          | $21,380                | 7.7   |
| 48 Mesa, AZ        | 452,068          | $21,007                | 7.5   |
| 49 Arlington, TX   | 375,598          | $24,169                | 7.3   |
| 50 Virginia Beach, VA | 447,021          | $31,051                | 6.0   |

**50 Largest cities** | $18,137 | $196,409 | 10.8

*Source: Brookings Institution analysis of 2012 American Community Survey data*
### Inequality Levels Vary Widely Across the Nation’s Largest Cities

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</tr>
</tbody>
</table>

**50 Largest cities**

Source: Brookings Institution analysis of 2012 American Community Survey data

Where the rich like to live

Dukakis Center for Urban & Regional Policy  ❖  www.northeastern.edu/dukakiscenter
Annual Budgets for 4-Person Families
2011

Where inequality is greatest, so is the cost of living

Source: Economic Policy Institute
Metro Family Budgets vs. All Metro Average
2011

Boston: 4th Highest Inequality
Los Angeles: 9th Highest Inequality

Source: Economic Policy Institute
The rich drive up the cost of living for everyone else ... especially housing costs

Source: Economic Policy Institute
### Income growth from 1979 to 2007, overall and for the top 1% and bottom 99%, U.S. and by state and region

<table>
<thead>
<tr>
<th>Rank (by top 1% income growth)</th>
<th>State/region</th>
<th>Overall</th>
<th>Top 1%</th>
<th>Bottom 99%</th>
<th>Share of total growth (or loss) captured by top 1%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Connecticut</td>
<td>72.6%</td>
<td>414.6%</td>
<td>29.5%</td>
<td>63.9%</td>
</tr>
<tr>
<td>2</td>
<td>Massachusetts</td>
<td>82.1%</td>
<td>366.0%</td>
<td>51.7%</td>
<td>43.1%</td>
</tr>
<tr>
<td>3</td>
<td>New York</td>
<td>60.5%</td>
<td>355.1%</td>
<td>22.2%</td>
<td>67.6%</td>
</tr>
<tr>
<td>4</td>
<td>Wyoming</td>
<td>31.5%</td>
<td>354.3%</td>
<td>-0.8%</td>
<td>102.3%</td>
</tr>
<tr>
<td>5</td>
<td>New Jersey</td>
<td>62.6%</td>
<td>264.7%</td>
<td>41.3%</td>
<td>40.3%</td>
</tr>
<tr>
<td>6</td>
<td>Washington</td>
<td>31.2%</td>
<td>222.3%</td>
<td>13.9%</td>
<td>59.1%</td>
</tr>
<tr>
<td>7</td>
<td>Florida</td>
<td>38.8%</td>
<td>218.8%</td>
<td>13.8%</td>
<td>68.9%</td>
</tr>
<tr>
<td>8</td>
<td>Vermont</td>
<td>42.4%</td>
<td>217.0%</td>
<td>27.8%</td>
<td>39.5%</td>
</tr>
<tr>
<td>9</td>
<td>South Dakota</td>
<td>44.8%</td>
<td>216.0%</td>
<td>30.5%</td>
<td>37.2%</td>
</tr>
<tr>
<td>10</td>
<td>New Hampshire</td>
<td>53.2%</td>
<td>215.9%</td>
<td>37.6%</td>
<td>35.5%</td>
</tr>
<tr>
<td>17</td>
<td>California</td>
<td>31.5%</td>
<td>191.8%</td>
<td>13.2%</td>
<td>62.4%</td>
</tr>
</tbody>
</table>

Source: Sommeiller & Price, “The Increasingly Unequal States of America
### Top 1% Share of All Income: U.S. and by State and Region, 1928, 1979, 2007

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
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<tbody>
<tr>
<td>1</td>
<td>Wyoming</td>
<td>12.2%</td>
<td>9.1%</td>
<td>31.4%</td>
<td>-3.1</td>
<td>22.3</td>
</tr>
<tr>
<td>2</td>
<td>Connecticut</td>
<td>23.6%</td>
<td>11.2%</td>
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</tr>
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<td>11.5%</td>
<td>32.6%</td>
<td>-17.9</td>
<td>21.1</td>
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<tr>
<td>4</td>
<td>Nevada</td>
<td>17.8%</td>
<td>11.5%</td>
<td>28.0%</td>
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<tr>
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</tr>
<tr>
<td>6</td>
<td>Massachusetts</td>
<td>24.2%</td>
<td>9.7%</td>
<td>24.8%</td>
<td>-14.5</td>
<td>15.1</td>
</tr>
<tr>
<td>7</td>
<td>Illinois</td>
<td>22.5%</td>
<td>9.6%</td>
<td>22.8%</td>
<td>-12.9</td>
<td>13.2</td>
</tr>
<tr>
<td>8</td>
<td>California</td>
<td>20.0%</td>
<td>10.2%</td>
<td>22.7%</td>
<td>-9.7</td>
<td>12.5</td>
</tr>
<tr>
<td>9</td>
<td>Washington</td>
<td>14.9%</td>
<td>8.3%</td>
<td>20.4%</td>
<td>-6.6</td>
<td>12.1</td>
</tr>
<tr>
<td>10</td>
<td>New Jersey</td>
<td>22.9%</td>
<td>9.5%</td>
<td>21.4%</td>
<td>-13.4</td>
<td>11.8</td>
</tr>
</tbody>
</table>

Source: Sommeiller & Price, “The Increasingly Unequal States of America
### Income growth from 2009 to 2011, overall and for the top 1% and bottom 99%, U.S. and by state and region

**Average real income growth**

<table>
<thead>
<tr>
<th>Rank (by top 1% income growth)</th>
<th>State/region</th>
<th>Overall</th>
<th>Top 1%</th>
<th>Bottom 99%</th>
<th>Share of total growth (or loss) captured by top 1%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>North Dakota</td>
<td>14.4%</td>
<td>41.3%</td>
<td>10.2%</td>
<td>38.9%</td>
</tr>
<tr>
<td>2</td>
<td>Massachusetts</td>
<td>2.5%</td>
<td>26.5%</td>
<td>-3.1%</td>
<td>200.8%</td>
</tr>
<tr>
<td>3</td>
<td>Colorado</td>
<td>0.2%</td>
<td>23.5%</td>
<td>-4.0%</td>
<td>1,779.1%</td>
</tr>
<tr>
<td>4</td>
<td>Texas</td>
<td>5.2%</td>
<td>21.1%</td>
<td>1.6%</td>
<td>74.4%</td>
</tr>
<tr>
<td>5</td>
<td>Rhode Island</td>
<td>-1.2%</td>
<td>17.3%</td>
<td>-4.3%</td>
<td>‡</td>
</tr>
<tr>
<td>6</td>
<td>California</td>
<td>2.0%</td>
<td>16.9%</td>
<td>-1.4%</td>
<td>154.9%</td>
</tr>
<tr>
<td>7</td>
<td>Ohio</td>
<td>1.6%</td>
<td>14.8%</td>
<td>-0.4%</td>
<td>123.4%</td>
</tr>
<tr>
<td>8</td>
<td>Oklahoma</td>
<td>7.7%</td>
<td>13.8%</td>
<td>6.5%</td>
<td>29.6%</td>
</tr>
<tr>
<td>9</td>
<td>Virginia</td>
<td>-0.4%</td>
<td>13.8%</td>
<td>-2.7%</td>
<td>‡</td>
</tr>
<tr>
<td>10</td>
<td>New Hampshire</td>
<td>2.5%</td>
<td>13.7%</td>
<td>0.5%</td>
<td>83.3%</td>
</tr>
</tbody>
</table>

**Source:** Sommeiller & Price, “The Increasingly Unequal States of America”
### Ratio of top 1% income to bottom 99% income, U.S. and by state and region, 2011

<table>
<thead>
<tr>
<th>Rank (by top-to-bottom ratio)</th>
<th>State/region</th>
<th>Average income of the top 1%</th>
<th>Average income of the bottom 99%</th>
<th>Top-to-bottom ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Connecticut</td>
<td>$2,178,817</td>
<td>$53,694</td>
<td>40.6</td>
</tr>
<tr>
<td>2</td>
<td>New York</td>
<td>$1,749,590</td>
<td>$43,202</td>
<td>40.5</td>
</tr>
<tr>
<td>3</td>
<td>Florida</td>
<td>$1,141,314</td>
<td>$35,393</td>
<td>32.2</td>
</tr>
<tr>
<td>4</td>
<td>Massachusetts</td>
<td>$1,535,356</td>
<td>$50,843</td>
<td>30.2</td>
</tr>
<tr>
<td>5</td>
<td>Nevada</td>
<td>$1,091,021</td>
<td>$36,975</td>
<td>29.5</td>
</tr>
<tr>
<td>6</td>
<td>Wyoming</td>
<td>$1,473,766</td>
<td>$53,403</td>
<td>27.6</td>
</tr>
<tr>
<td>7</td>
<td>California</td>
<td>$1,223,617</td>
<td>$45,589</td>
<td>26.8</td>
</tr>
<tr>
<td>8</td>
<td>Texas</td>
<td>$1,185,033</td>
<td>$45,130</td>
<td>26.3</td>
</tr>
<tr>
<td>9</td>
<td>Illinois</td>
<td>$1,083,216</td>
<td>$44,210</td>
<td>24.5</td>
</tr>
<tr>
<td>10</td>
<td>New Jersey</td>
<td>$1,312,077</td>
<td>$54,864</td>
<td>23.9</td>
</tr>
</tbody>
</table>

Source: Sommeiller & Price, “The Increasingly Unequal States of America
What’s Responsible for the Increase in Income Inequality?

Agatha Christie gives us a clue!
“Murder on the Inequality Express”

Suspect 1: Technology
Suspect 2: Deindustrialization
Suspect 3: Deregulation
Suspect 4: Declining Unionization
Suspect 5: Downsizing
Suspect 6: Winner-Take-All Labor Markets
Suspect 7: Free Trade
Suspect 8: Capital Mobility
Suspect 9: Immigration
Suspect 10: Trade Deficits
“Murder on the Inequality Express”

Suspect 1: Technology
Suspect 2: Deindustrialization
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Suspect 7: Free Trade
Suspect 8: Capital Mobility
Suspect 9: Immigration
Suspect 10: Trade Deficits

Source: Barry Bluestone, “The Inequality Express,” The American Prospect, November 1994
Income Mobility

**Intra-generational Mobility**

**Inter-generational Mobility**
## Family Income Mobility (1969-1979)

<table>
<thead>
<tr>
<th>Quintile in 1969</th>
<th>Quintile in 1979</th>
<th>Lowest</th>
<th>Second</th>
<th>Third</th>
<th>Fourth</th>
<th>Top</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lowest</td>
<td>49.4%</td>
<td>24.5%</td>
<td>13.8%</td>
<td>9.1%</td>
<td>3.3%</td>
<td></td>
</tr>
<tr>
<td>Second</td>
<td>23.2</td>
<td>27.8</td>
<td>25.2</td>
<td>16.2</td>
<td>7.7</td>
<td></td>
</tr>
<tr>
<td>Third</td>
<td>10.2</td>
<td>23.4</td>
<td>24.8</td>
<td>23.0</td>
<td>18.7</td>
<td></td>
</tr>
<tr>
<td>Fourth</td>
<td>9.9</td>
<td>15.0</td>
<td>24.1</td>
<td>27.4</td>
<td>23.7</td>
<td></td>
</tr>
<tr>
<td>Top</td>
<td>5.0</td>
<td>9.0</td>
<td>13.2</td>
<td>23.7</td>
<td>49.1</td>
<td></td>
</tr>
</tbody>
</table>
# Family Income Mobility (1989-1998)

## Quintile in 1998

<table>
<thead>
<tr>
<th>Quintile in 1989</th>
<th>Lowest</th>
<th>Second</th>
<th>Third</th>
<th>Fourth</th>
<th>Top</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lowest</td>
<td>53.3%</td>
<td>23.6%</td>
<td>12.4%</td>
<td>6.4%</td>
<td>4.3%</td>
</tr>
<tr>
<td>Second</td>
<td>25.7</td>
<td>36.3</td>
<td>22.6%</td>
<td>11.0%</td>
<td>4.3%</td>
</tr>
<tr>
<td>Third</td>
<td>10.9</td>
<td>20.7</td>
<td>28.3%</td>
<td>27.5%</td>
<td>12.6</td>
</tr>
<tr>
<td>Fourth</td>
<td>6.5</td>
<td>12.9</td>
<td>23.7%</td>
<td>31.1%</td>
<td>25.8</td>
</tr>
<tr>
<td>Top</td>
<td>3.0</td>
<td>5.7</td>
<td>14.9%</td>
<td>23.2%</td>
<td>53.2</td>
</tr>
</tbody>
</table>
Characteristics Associated with Leaving the Bottom Quintile
Age 25-34 to Age 35-44

Source: Economic Policy Institute
Characteristics Associated with Entering the Bottom Quintile

Source: Economic Policy Institute
Intergenerational Mobility
Probabilities of Child Reaching Top Income Quintile at Age 26 Conditional on Parent Income Quintile
1971 vs. 1982

New research confirms that intergenerational mobility has not gotten worse

But the U.S. continues to have less intergenerational mobility than most countries.

And most importantly

• “Because inequality has risen, the consequences of the ‘birth lottery’ – the parents to whom a child is born – are larger today than in the past.”
  
  • Chetty, Hendren, Kline, Saez, and Turner

• We would need to have a radical increase in intergenerational mobility to offset the sharp increase in income inequality ... and we clearly have not had that.
Wealth Inequality

And the degree of income inequality pales in comparison with the increase in wealth inequality in America
Percentage Share of Total Household Wealth
Top 5% of U.S. Households
1962-2010

Source: Edward N. Wolff, “The Middle Class: Losing Ground, Losing Wealth”
Gini Coefficients
U.S. Household Net Worth
1962-2010

Rapid increase in wealth inequality since 2001

Source: Edward N. Wolff, “The Middle Class: Losing Ground, Losing Wealth”
Percentage Share of U.S. Household Net Worth
2010

Source: Edward N. Wolff, “The Middle Class: Losing Ground, Losing Wealth”
Percentage Share of U.S. Household Net Worth
2010

Top 5%: 63% of Total Net Worth

Source: Edward N. Wolff, “The Middle Class: Losing Ground, Losing Wealth”
What Can Be Done?
Income Inequality
Reducing Murder on the Inequality Express: Reducing Income Inequality within a Generation

• Despite the importance of skill-biased technological change as a cause of rising income inequality, only a portion of income inequality can be reduced through education and re-training of adults. Providing for life-long education and continuous retraining can probably help a little bit.

• Encourage the manufacturing renaissance already underway – reindustrializing part of the economy might help a bit.

• Organize the unorganized … under a new approach to unionization could be helpful.

• Encourage fair trade policies, tying free trade to countries that have policies linking wage gains to productivity and obey international labor standards on occupational health and safety and environmental regulations.

• Raise the minimum wage and index to the CPI.
Reducing Murder on the Inequality Express: Direct Redistribution of Income

- Reinstitute **more progressive income tax rates** at the federal and state levels ... in order to pay for:
  - An increase in the **Earned Income Tax Credit (EITC)** for adults with children
  - Allow **working single adults** to claim an EITC
  - Increase the national **“Food Stamp Program”** (Supplemental Nutrition Assistance Program (SNAP))
  - Expand the **Section 8 Rental Housing Voucher Program**

- **ALL OF THESE COULD PUT A DENT IN THE AFTER-TAX AND TRANSFER INCOME DISTRIBUTION**
What Can Be Done?

Income Immobility

While we probably can make only modest changes in current generation income inequality given economic and political realities, we might have more luck in reducing intergenerational income immobility.
The most privileged kid on the planet

- Born to **two parents living together**
- Both parents **never unemployed** for a day in their lives
- Both parents have **Ph.D’s**
- Even before the kid was born, his parents were reading to him!
- The kid attended a **quality day care program** from the time he was two years old … his teacher had a Ph.D. in developmental psychology!
- When he was five, he enrolled in a **private elementary school** where he was nurtured and educated
- He was a soccer star from age 8 and had **spectacular adults as coaches**
- He took **guitar lessons** from the time he was 12 with a great instructor
- He attended an excellent **private high school** with terrific, engaged teachers and more great coaches
- He **traveled the world** with his parents from the time he was six months old
- He had **great medical care** whenever he needed it
- He graduated from a top university with **no college debt**
What about the kid that was born this morning in the Boston Medical Center in Roxbury, Massachusetts ... less than 6 miles away?

- **Heads home this afternoon** to Geneva Avenue or Bowdoin St. with his or her mom and **maybe with dad**
- To a **street run by youth gangs** and subject to violence
- Mom is **likely young, unemployed, and has had little training in her new role as mother**
- There are **few books** in the home
- **Day care is limited and likely warehousing** rather than educational
- Local **school is likely underperforming and only lasts 180 days a year**
- From age 0 to age 18, this child spends **17% of his or her waking hours in public school**
- **Few options for sports or arts programs**
- Instead of a climate of “**Don’t be a fool, stay in school**”, the kid learns “It ain’t cool to be good in school”

Now what are all the things you would want to do for this child so that he or she would have some of the life opportunities of that kid from Cambridge?
Early Childhood Education

Brain research has taught us how important early childhood is to adult success
Human Brain Development
Synapse Formation Dependent on Early Experiences

Sensory Pathways (Vision, Hearing)

Language

Higher Cognitive Function

Human Brain at Birth

6 Years Old

14 Years Old
Barriers to Social Mobility Emerge at a Very Young Age

Child’s Age (Months)

Cumulative Vocabulary (Words)

Neurological Development vs. Public Spending on Children

Neurological Development vs. Public Spending on Children

Redressing Income Immobility

- Provide **universal high quality prenatal care** for every child
- Provide community-based **parent effectiveness training** to all parents and caregivers
- Provide **universal early year-round childhood education** to all children
- **Improve the public schools** through a new “Grand Bargain” among school superintendents, school committee presidents, local teachers union officials, school teachers, counselors, and coaches
- Provide extensive opportunities to participate in **extracurricular sports, arts, and culture programs**
- Provide **summer camp experiences** with well-trained camp staff for all kids
- Provide **summer jobs for high school kids**
- Assure top-quality **vocational education programs** for kids not going to college
- Provide **increased access to affordable higher education with coop work opportunities**
This will cost a fortune

But if we commit to such a comprehensive program, we will only have to spend this much for one generation ... rather than the billions and billions we spend on one generation after another who do not benefit from such a fine childhood.
And the cost to our democracy if we do nothing?
And the cost to our democracy if we do nothing?

Why is Donald Trump doing so well in the Republican primaries?

Why is Bernie Sanders capturing the imagination and votes of so many in the Democratic primaries?
And the cost to our democracy if we do nothing?

Why is Donald Trump doing so well in the Republican primaries?

Why is Bernie Sanders capturing the imagination and votes of so many in the Democratic primaries?

WHAT DO YOU THINK?
Thank You!
The Kitty and Michael Dukakis Center for Urban & Regional Policy conducts interdisciplinary research, in collaboration with civic leaders and scholars both within and beyond Northeastern University, to identify and implement real solutions to the critical challenges facing urban areas throughout Greater Boston, the Commonwealth, and the nation.

Founded in 1999 as a “think and do” tank, the Dukakis Center’s collaborative research and problem-solving model applies powerful data analysis, multidisciplinary research and evaluation techniques, and a policy-driven perspective to address a wide range of issues facing cities, towns, and suburbs, with a particular emphasis on the greater Boston region. The Dukakis Center works to catalyze broad-based efforts to solve urban problems, acting as both a convener and a trusted and committed partner to local, state, and national agencies and organizations.

In November 2008 the Center was renamed in honor of Kitty and Michael Dukakis for the extraordinary work that both of them have done to make the City of Boston, the Commonwealth, and the nation a better place to live and work.

A “Think and Do” Tank

Policy Focus Areas:
- Economic Development
- Housing
- Labor/Management Relations
- Program Evaluation
- State and Local Public Finance
- Transportation
- Workforce Development