

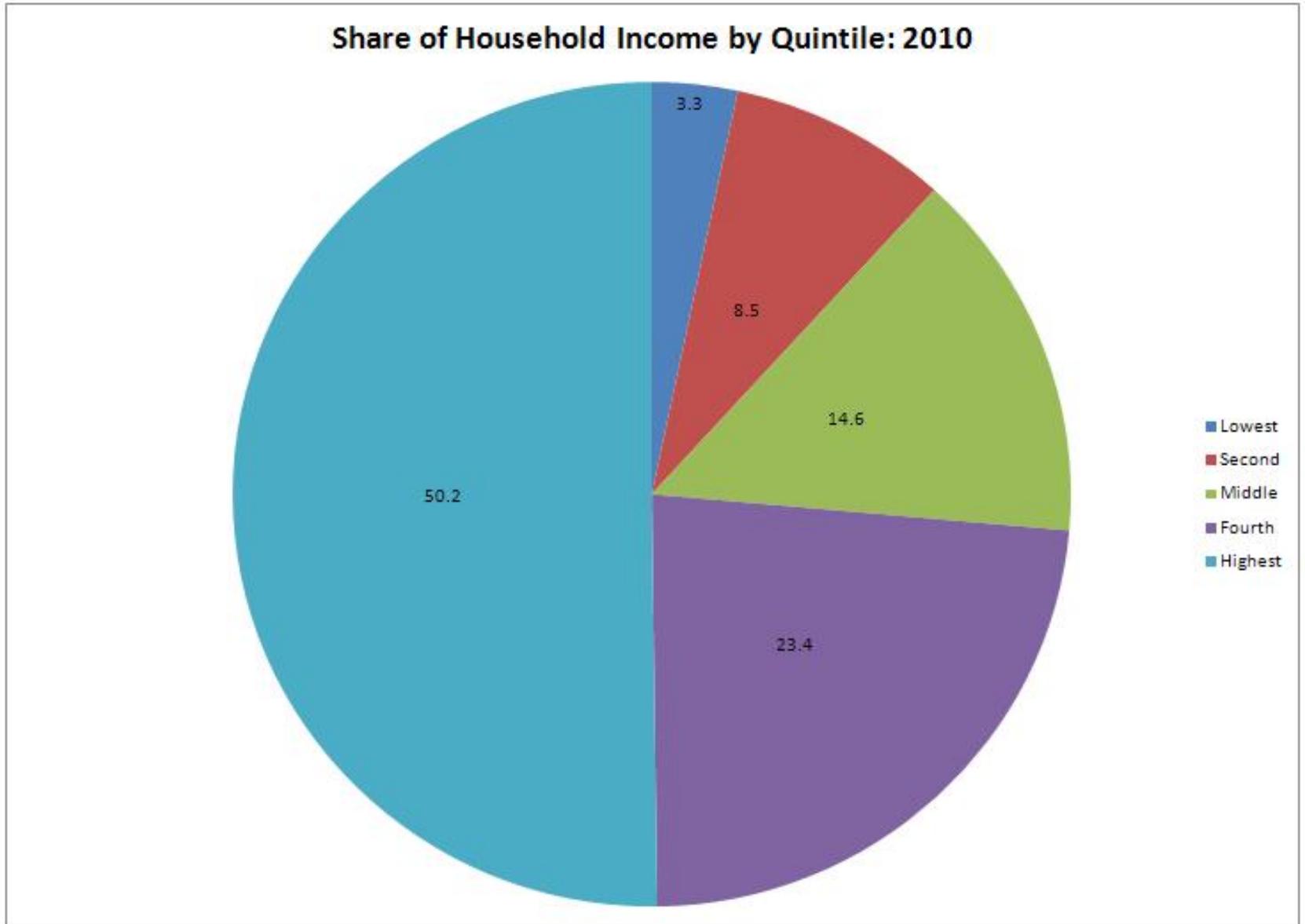
Rising Inequality in America and What We Can Do About It

June 12, 2013

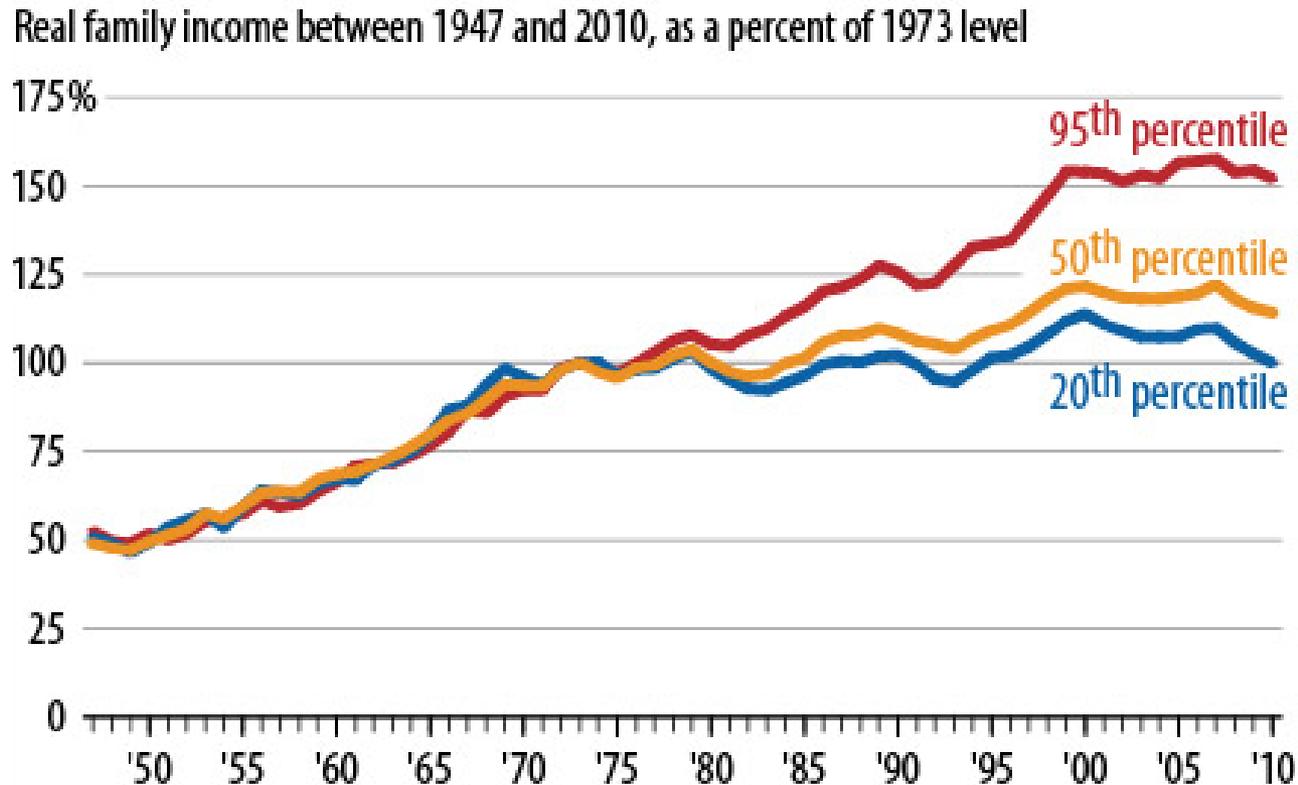
Nick Estes

nestes@unm.edu

Top 1/5 of earners got over 50% of U.S. income



Income gains no longer shared equally

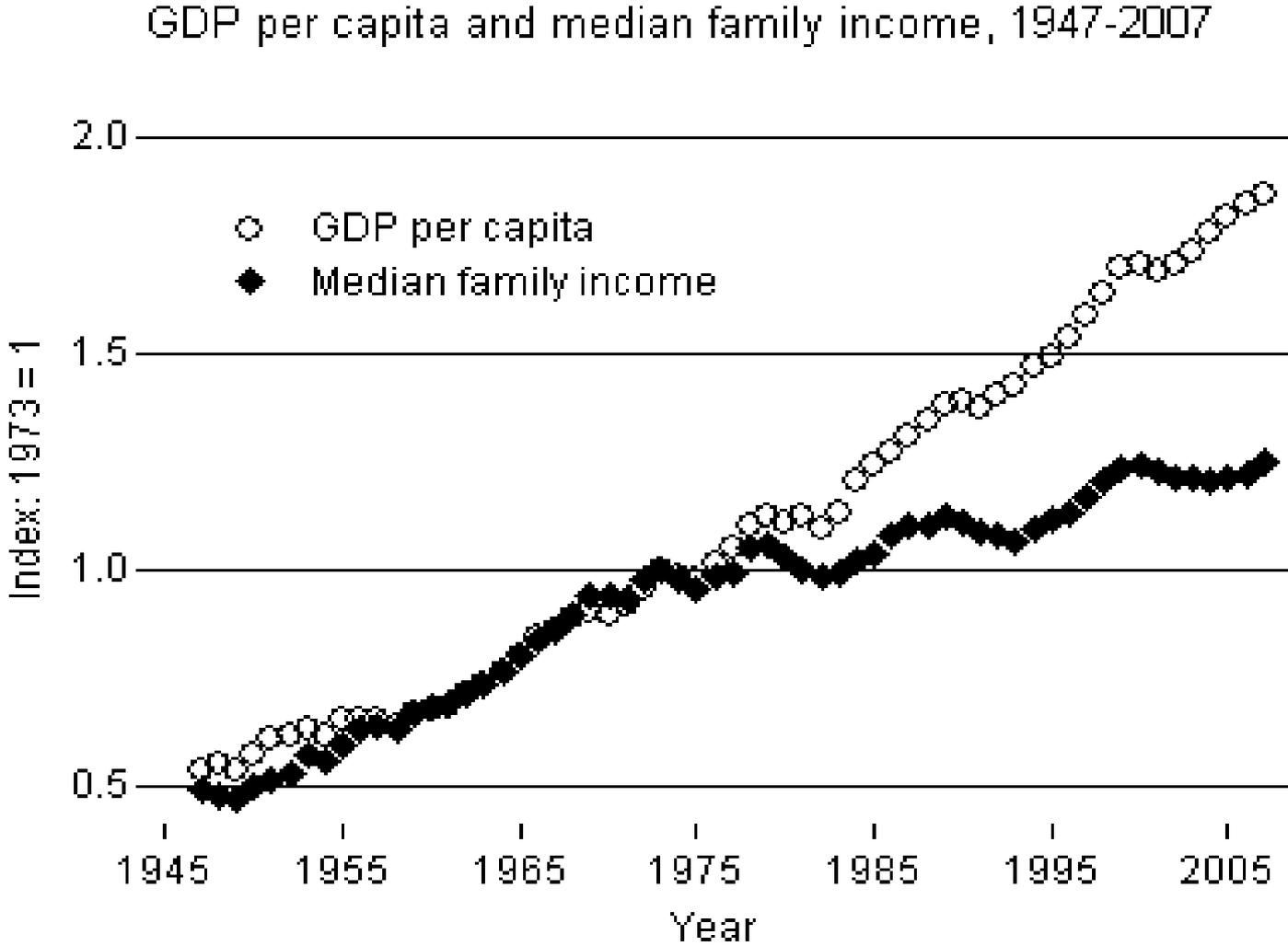


Source: CBPP calculations from U.S. Census Bureau data

Center on Budget and Policy Priorities | cbpp.org

Income gains were widely shared in early postwar decades – no longer the case

Median income no longer rises with GDP



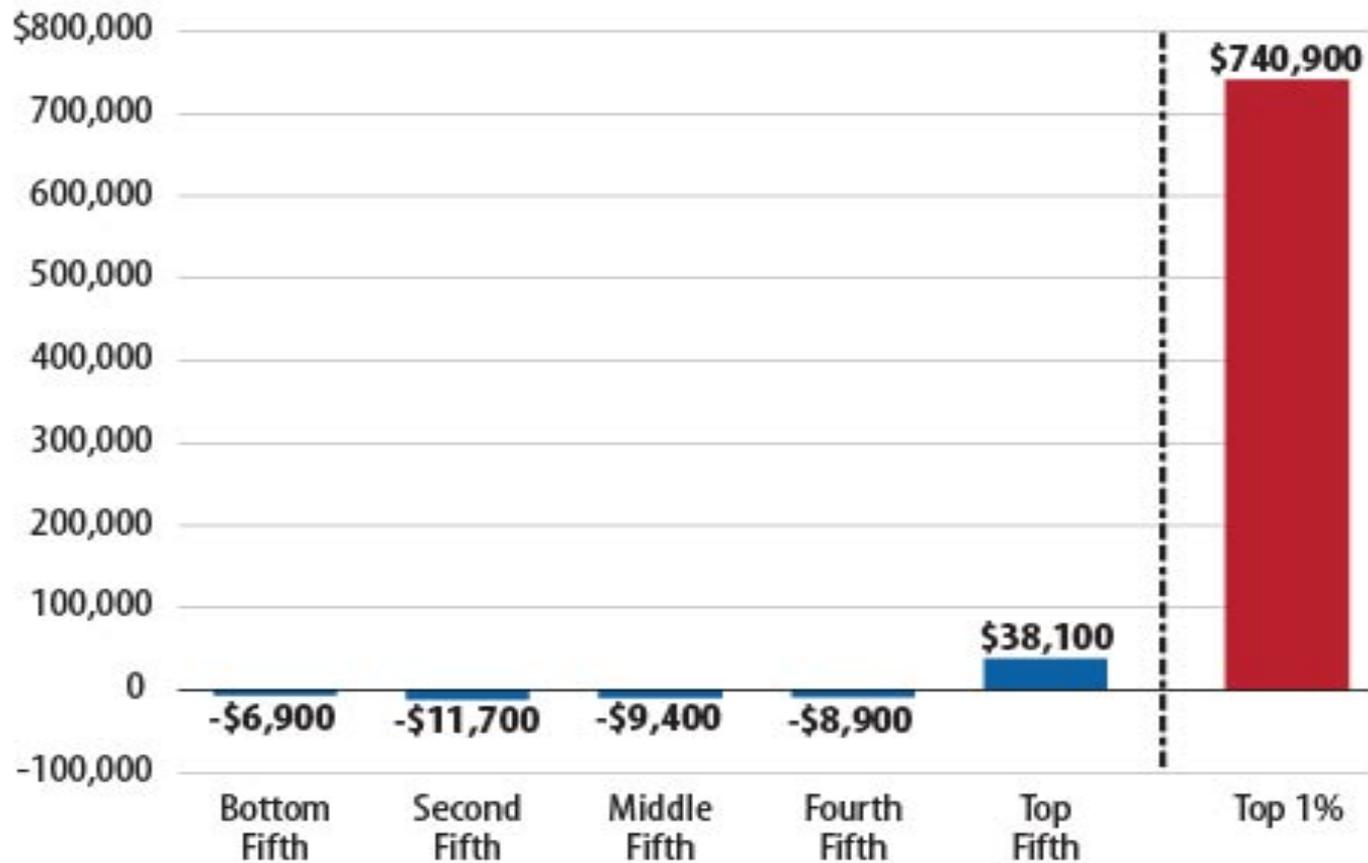
Income inequality: back to the Roaring 20's



The top 1% soars; the 99% stagnate

Average Gain or Loss in 2007 From Income Shift Since 1979

Relative to Average Incomes If 1979 Distribution Had Prevailed

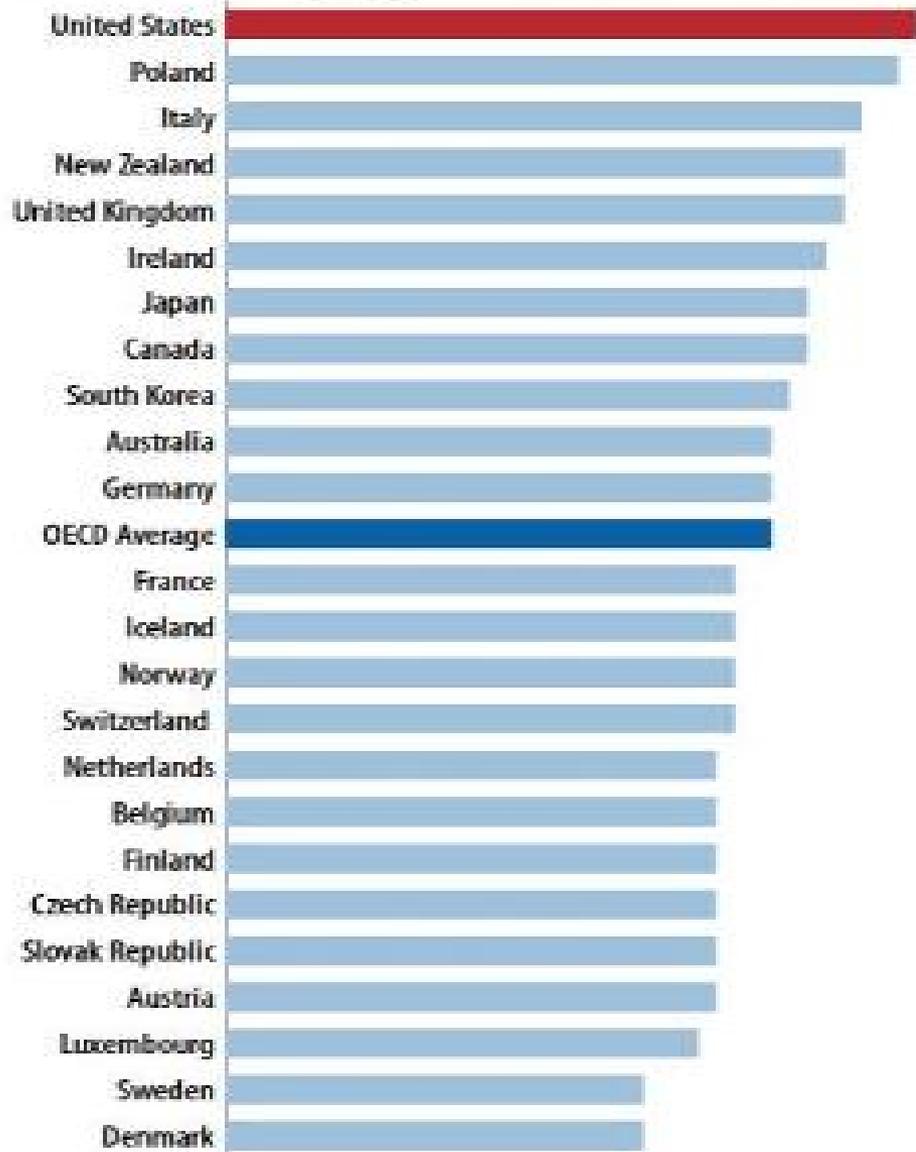


Source: Congressional Budget Office

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Among OECD Countries, U.S. Has Greatest Income Inequality After Taxes and Public Transfers

"Gini" Measure of Inequality After Taxes and Public Transfers



Why does it matter?

Huge opportunity gap has opened up

- Kids of rich are pampered
- Kids of middle class get little help
- Kids of poor abandoned

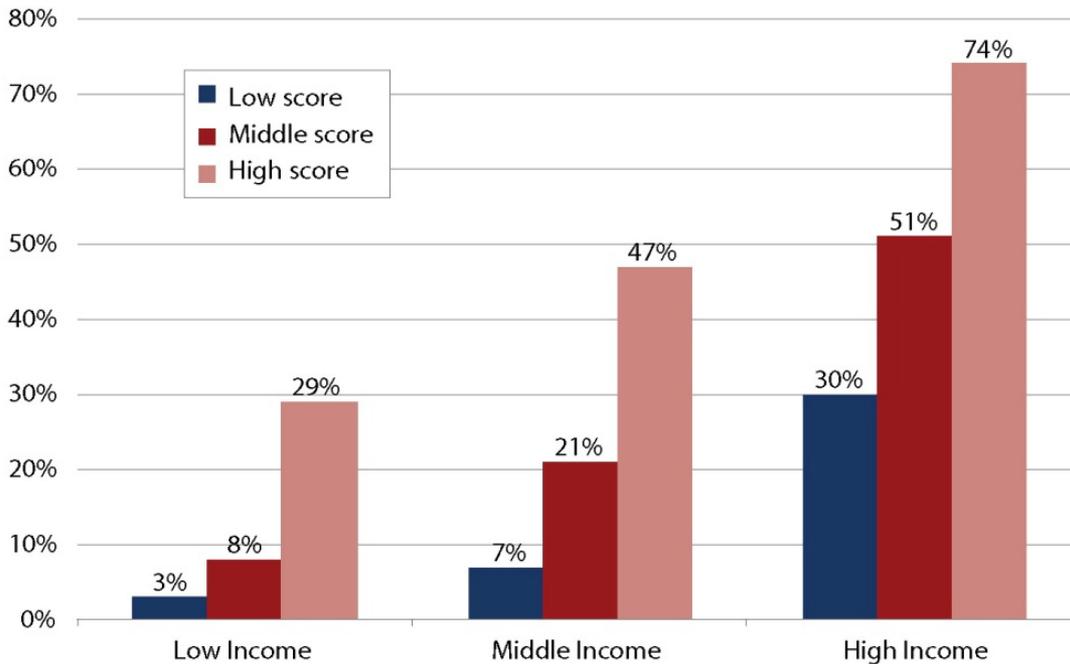
See articles about children in
current *American Prospect*:
www.prospect.org

College completion and income status

College completion by income status and 8th grade test scores

A top-scoring, low-income student has about the same chance of completing college as a low-scoring, high-income student

Percent completing college

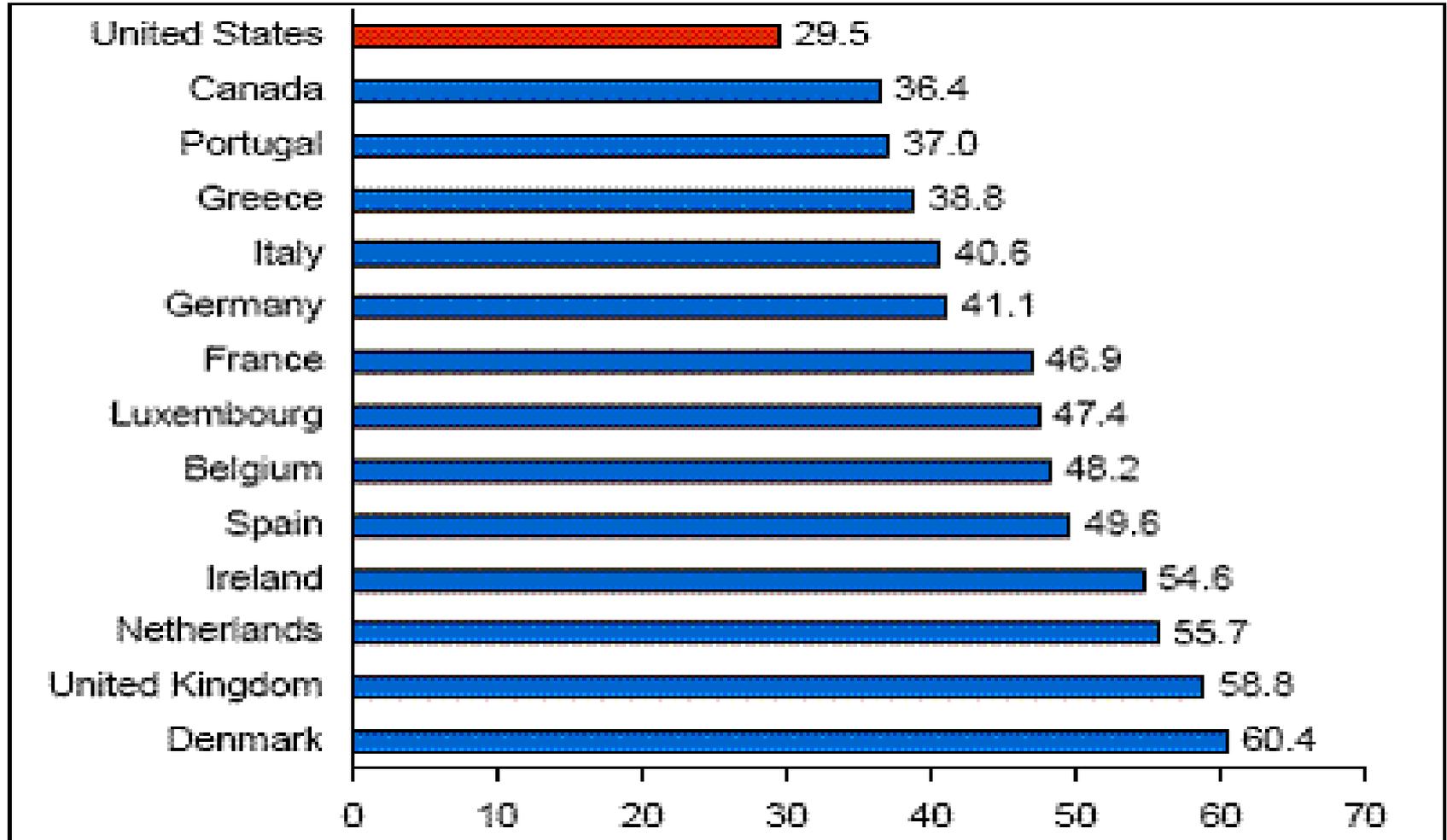


Note: Low income is defined as the bottom 25%, middle income middle 50%, and high income is top 25%.

Source: Elise Gould, "High-scoring, low-income students no more likely to complete college than low-scoring, rich students," *The Economic Policy Institute Blog*, March 9, 2012, available at <http://www.epi.org/blog/college-graduation-scores-income-levels/>. See also Mary Ann Fox, Brooke A. Connolly, and Thomas D. Snyder, "Youth Indicators 2005: Trends in the Well-Being of American Youth," (Washington, DC: U.S. Department of Education, 2005).

Today, hard work has less to do with success in college than being born rich

Today the U.S. has the lowest income mobility of any advanced country

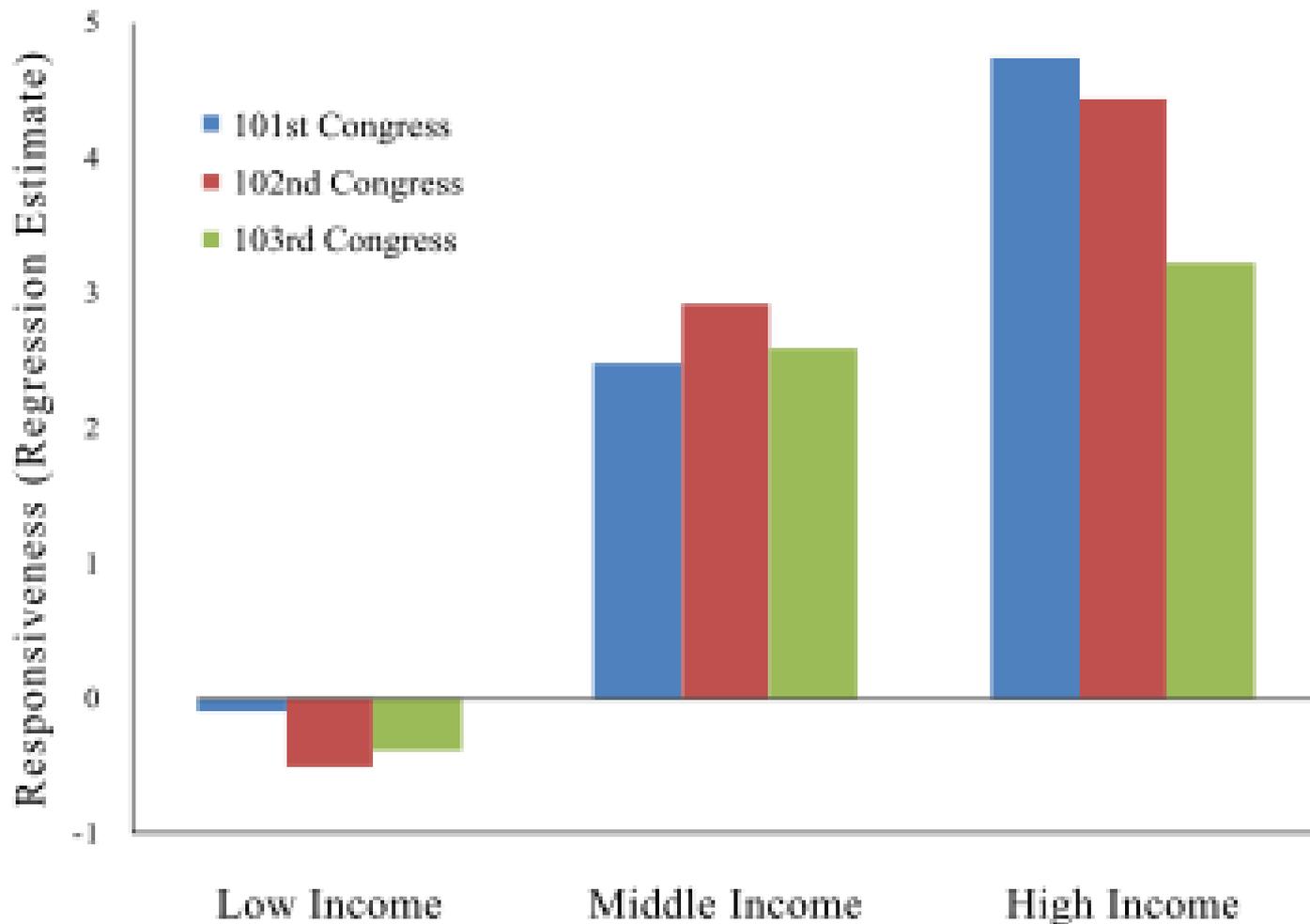


How are we going to have a prosperous economy in the information age if so many of our people are left out?

We're becoming an oligarchy, not a democracy. . . .

Representation in Washington is not for everyone

Senators Responsiveness to Income Groups



There are many things we could do to
end this unconscionable and growing
inequality

Here are seven:

1. Revive the economy—produce jobs

Stop worrying about deficits!

End the sequester and reduce the payroll tax
again

Get more demand into the economy!

Investment and jobs will follow

2. Raise the minimum wage

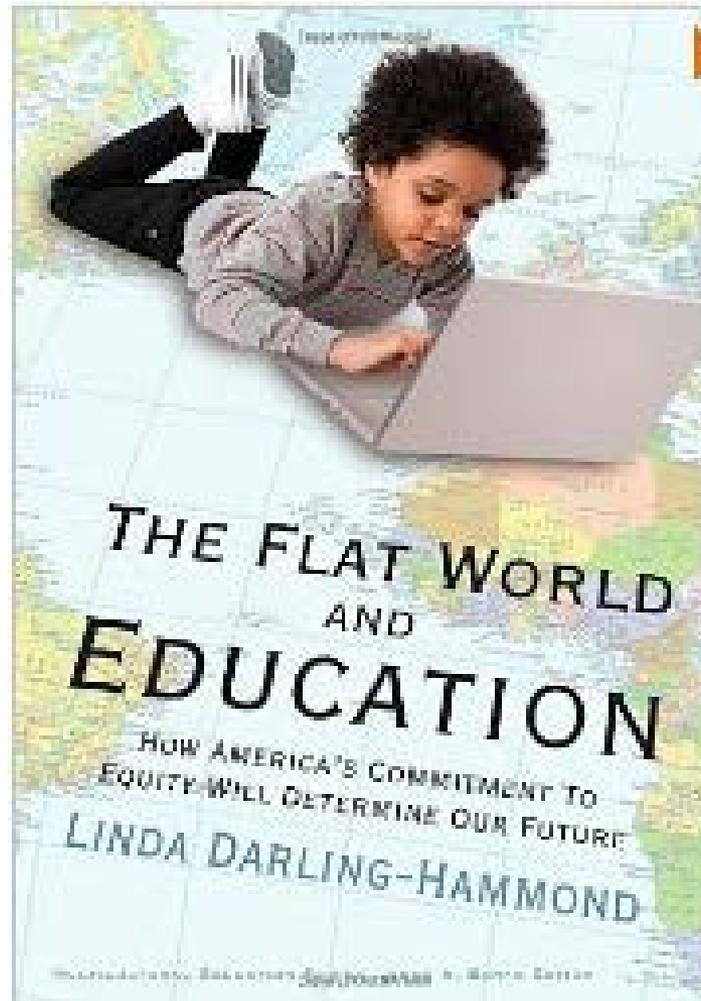
- There are lots of face-to-face jobs that are important and can't be off-shored:
 - Healthcare
 - Education assistants
 - Childcare providers
 - And many, many more

Raising peoples' compensation and it will greatly improve our income distribution

3. Provide universal early childhood education

- The rich fight for spots in good pre-schools—they must know something!
- Studies have proven quality pre-schools, involving the parents, can make a huge difference on kids' success, in school and in life
- See, www.investinkidsnow.org

4. Fix our Schools!



5. Make Higher Education Affordable Again

- The U.S. is dropping behind other countries in college graduates, after being the leader
- Public higher education has been cut 26% during the Recession. How stupid is that?
- Pell Grants are being badly cut
- Find a way to moderate tuition increases

6. Universal health care

- How can children learn and their parents work and get ahead if they can't access health care?
- The Affordable Care Act is a big step in this direction

7. Better housing & safer neighborhoods

- How can children learn and their parents work and get ahead if their houses and neighborhoods are unsafe?

Seven steps to greatly reduce inequality

1. Revive the economy—more jobs
2. Raise the minimum wage
3. Provide universal early childhood education
4. Fix our schools
5. Make higher education affordable
6. Provide universal health care
7. Provide better housing and safer neighborhoods

But all this costs money!

How can we afford it?

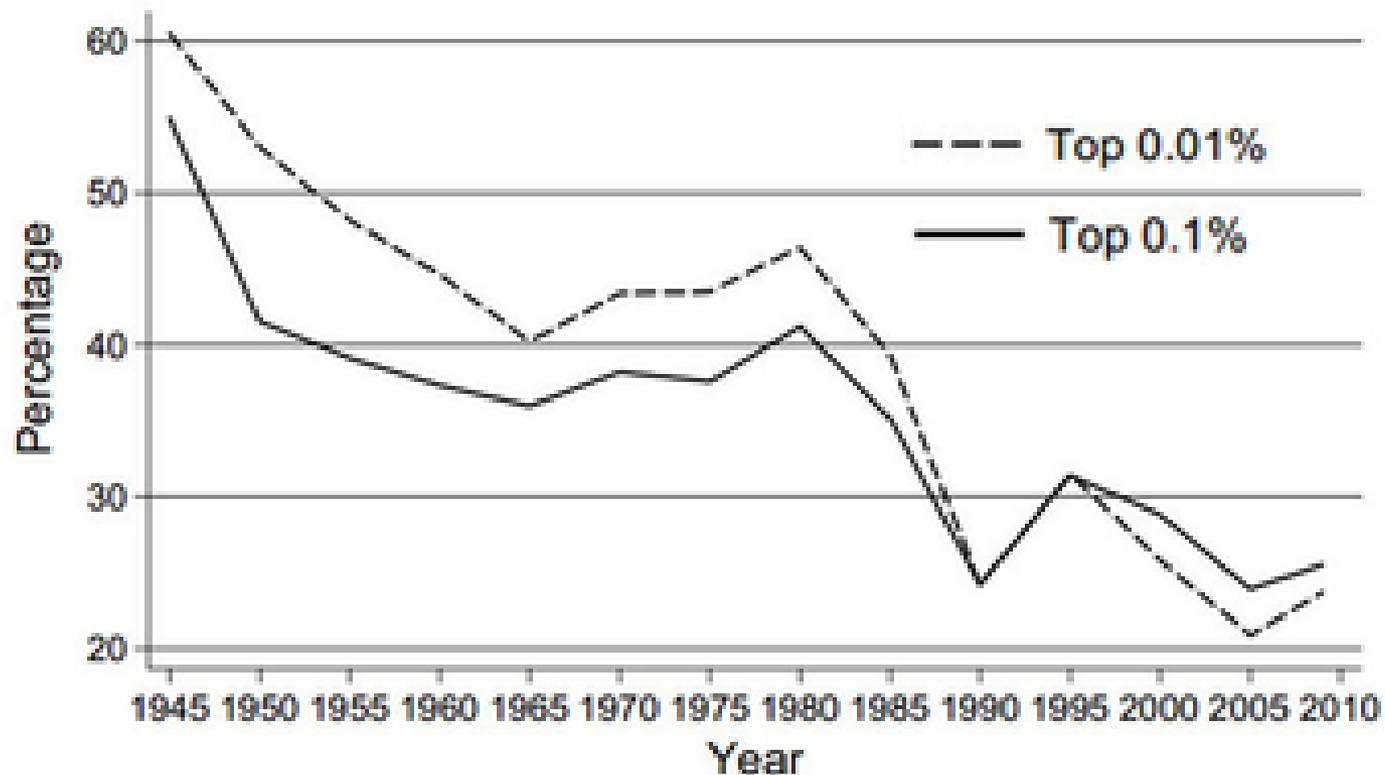
The Bush tax cuts are still costing us
almost \$200 billion per year

Why don't we just repeal them over
the next five years?

One percent of GDP is \$160 billion,
incidentally

The rich are taxed at a record low rate

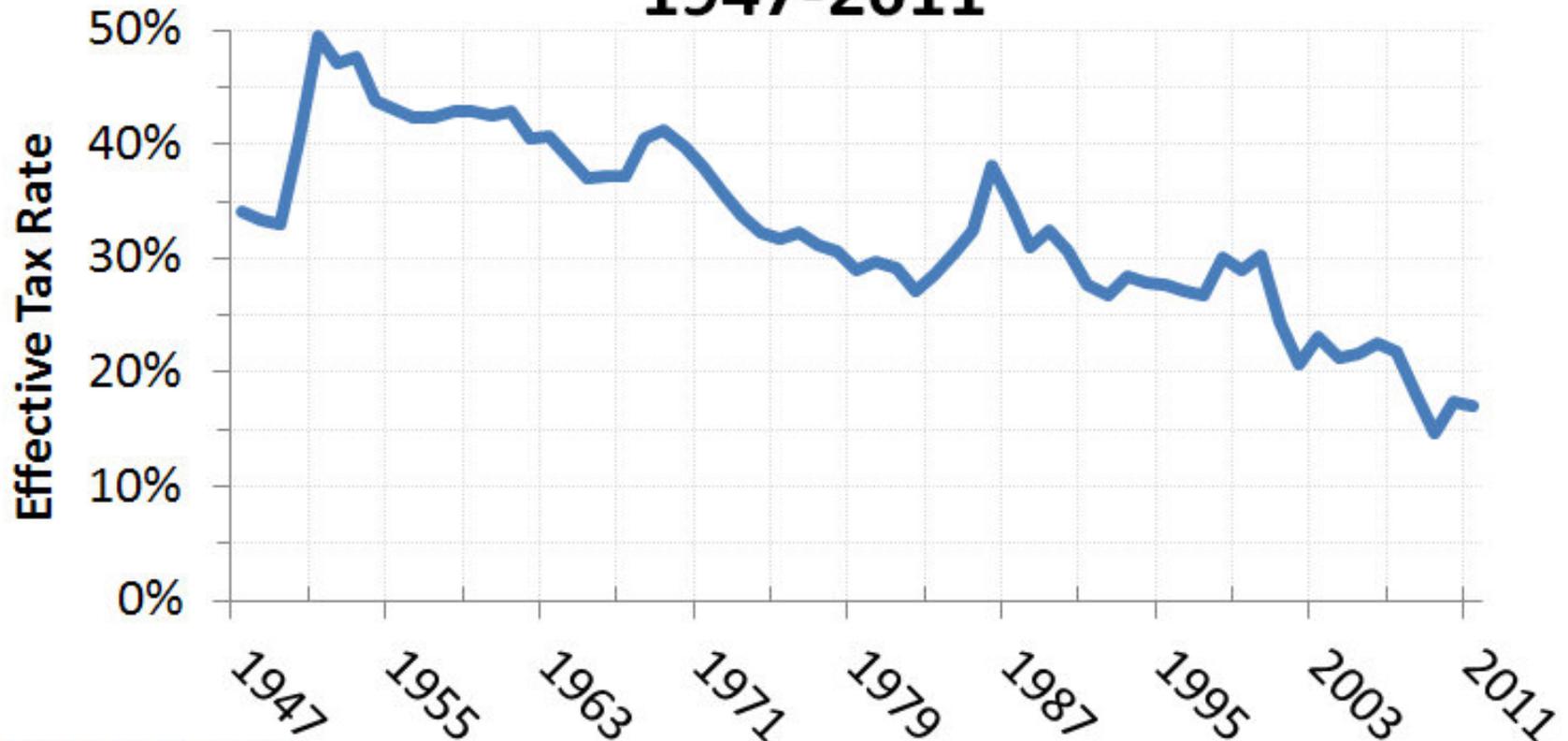
**Average Tax Rates for the
Highest-Income Taxpayers, 1945-2009**



Source: CRS calculations using Internal Revenue Service (IRS) Statistics of Income (SOI) information.

Same for Corporate America

U.S. Effective Corporate Tax Rate 1947-2011



Source: Federal Reserve

Our largest corporations, like G.E. and Apple, pay no taxes and get money back every year!
Despite this, they hoard massive amounts of profits in offshore accounts

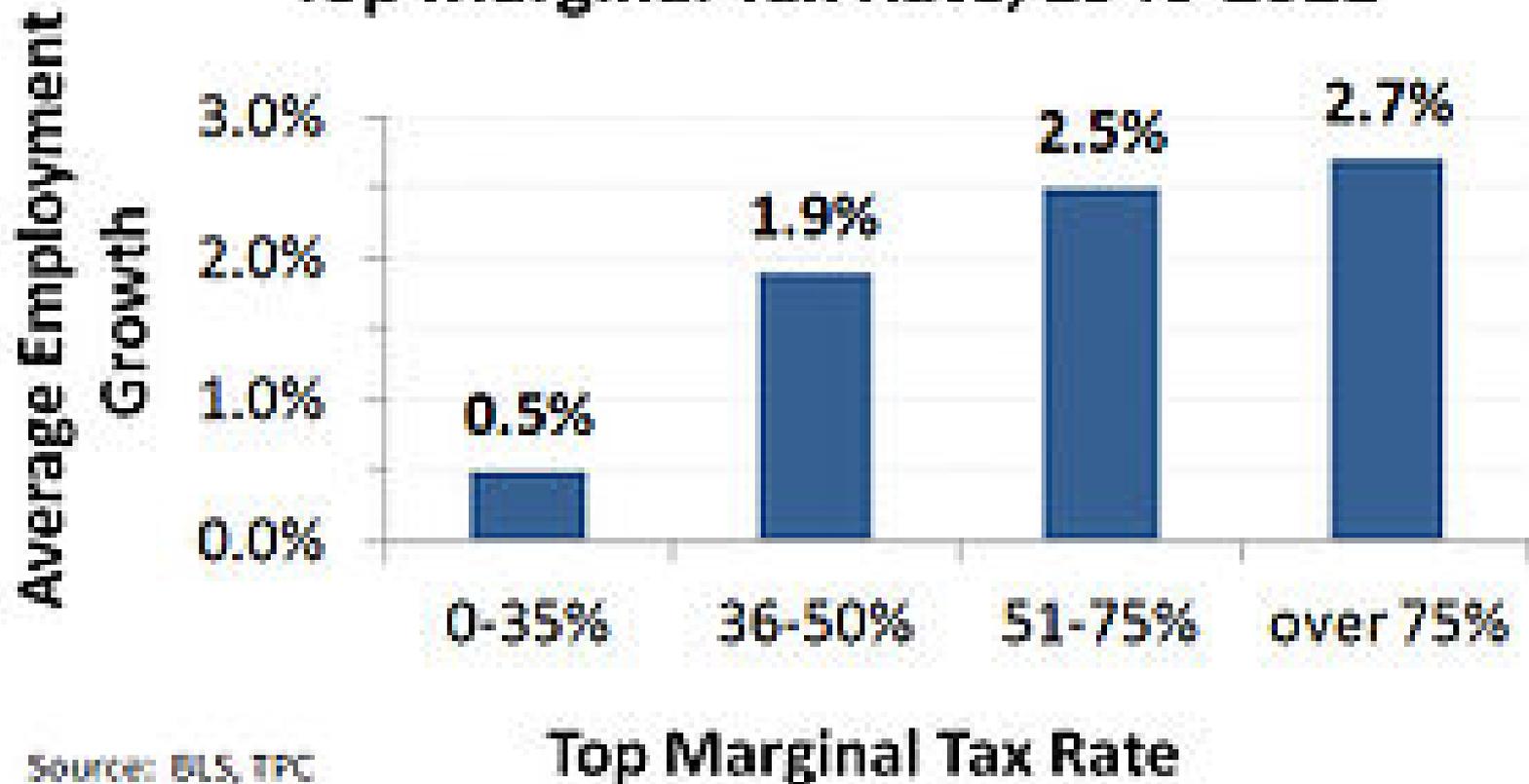
This is called “supply-side economics”

Cut taxes for the rich and they will use
the money to create jobs

It simply doesn't work and *never has*

The failure of supply-side economic theory is easy to demonstrate

Employment Growth Based on the Top Marginal Tax Rate, 1940-2011



Other common excuses for not doing much

- These programs only “create dependency”
 - If so, why is social mobility so much higher in Europe?
 - “Dependency”? Like early childhood education? Better low-income schools? Stronger job opportunities? Health care? College access? Safe neighborhoods?

Ultimately why should we take on this challenge?

- “Do unto others as you would have them do unto you.”
- If any of us had been born into poverty, this is the kind of help we would hope for
- Equal opportunities to succeed are not “hand outs”