

Income Inequality Is A Policy Of Choice

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In a [speech today at the Center for American Progress](#), the Chairman of the Council of Economic Advisors, Alan Krueger, laid out a compelling argument that rising inequality is a danger not just to the middle class, but to the recovery from the Great Recession and to the long-term growth of the U.S. economy. Krueger showed, with the help of some [excellent charts](#), that the polarization in income in the U.S. has already shrunk the middle class dramatically and that the median household's income is lower today than it was 10 years ago. Data from around the world support a connection between increased equality and increased economic growth and between income equality and economic mobility.

EPI has been sounding the alarm about the rise in inequality for many years, and a [useful tool on our website](#) shows the history of how national income has been shared between the bottom 90 percent and the top 10 percent, going back to 1917. As Krueger pointed out, the problem began in the late 1970s. From 1979 to 2008, income in the U.S. grew steadily – by an average of \$10,401 per capita. But all of that income growth went to the top 10 percent, and the top 1 percent increased its *annual* income by more than \$1.1 trillion. The nation grew substantially wealthier, yet the bottom 90 percent did not share in that increase at all – in fact, its income declined.

Krueger pointed to a number of contributing causes for this rising inequality, including globalization, which pits U.S. workers against a huge and more poorly paid labor force in the developing world, tax policy, the failure to increase the minimum wage, and a decline in unionization. We have no choice about whether our economy will be closely linked to the rest of the world, although we could manage the relationship better. But the other matters – tax policy, the minimum wage and unionization – are entirely within our control.

Tax policy should not advantage the rich, who have already taken a much bigger share of the national economic pie than they did when our economy was at its strongest and fairest. Krueger announced his adherence to the Buffet Rule, which holds that people making more than \$1 million a year should not pay a lower share of their income in taxes than middle-class families. He recommended repealing unnecessary tax cuts for the wealthy and returning the estate tax to its 2009 levels.

[Mitt Romney](#) and President Obama both agree that the minimum wage should be raised, but they surely disagree about how to reverse the decline in unionization – or even whether it's a bad thing. Krueger cited evidence that the primary effect of unions on the wage structure is to lift lower class families into the middle class. That is clearly a positive outcome, and efforts to weaken unions, through "[right-to-work](#)" laws like one being debated in Indiana, or federal legislation to make it harder to organize new unions, will worsen income inequality and should be opposed.

Inequality in America is worse than in all but a handful of developed countries; and it is getting worse fast. Krueger and the Obama administration are absolutely right to focus public attention on it.