Meager Growth
and
Rising Inequality

Greg Mankiw
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What’s wrong with the economy?

“an economy and a political system that has been rigged by Wall Street to benefit the wealthiest”
GDP Growth over Past 10 Years

%
Growing Together vs. Growing Apart

Growth in Real Mean Family Income by Income Quintile, 1947-1973 and 1973-2013

Source: U.S. Census Bureau, Historical Income Table F3 and Goldin and Katz (2007, Figure 1) for 1947-73
The One Percent
(Threshold is $423,000 in 2014)

Source: Piketty and Saez, 2003 updated to 2014. Series based on pre-tax cash market income including realized capital gains and excluding government transfers.
Why Slow Growth?

- The future ain’t what it used to be
Why Rising Inequality?

• The race between education and technology
Other Reasons for Rising Inequality

• Globalization

• Superstars

• Women’s movement & assortative mating
Addressing the Root Causes

• Many causes are hard to change

• Education!

• Treating the symptoms
Average Federal Tax Rates, by Income Group, 1979 to 2010 and Under 2013 Law

Percent

- Top 1 Percent
- 81st to 99th Percentiles
- Middle 60 Percent (21st to 80th Percentiles)
- Lowest Quintile


Under 2013 Law

CONGRESSIONAL BUDGET OFFICE

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One final thought

• Americans living at the poverty line are poorer than 85% of their fellow citizens.

• But they are richer than 85% of people in the world.