The American Dream
Fraying of the Folklore

National Association of Business Economics
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“I have spent my life measuring the distance between America and the American Dream”

~Bruce Springsteen
What everyone is talking about…

Average Income (2008$)

Bottom 90%
Top 10%
Top 5%
Top 1%

Note: U.S. before-tax income.
Source: Piketty, T. and Saez, E., The World Top Incomes Database.

Allegretto 2012
The not so invisible hand
(Share of U.S. income growth 1979-07)

59.9% of all gains went to Top 1%
36% went to the Top 0.1%
40.1% went to the Bottom 99%
Rest of Top 1% reaped 23.9%

Source: EPI analysis of Piketty & Saez IRS data 2009 for the U.S. Allegretto 2012
Astonishing picture of income growth
(Growth in inflation adjusted after-tax income from 1979 to 2007)

Source: Data for the United States from the Congressional Budget Office 2011. Allegretto 2012
Not a pretty picture for California
(Income growth, 1993-2008)

Source: California Franchise Tax Board. AGI. Allegretto 2012
The rich are getting richer!

(Change in U.S. wealth, 1983-2009)

Vicious cycle makes it clear the ‘free market’ isn’t free

Wealth

Policies

Political access
Falling top-marginal tax rates

Source: Citizens for Tax Justice
Work Vs. a call to your broker
(this isn’t a natural result of the ‘free market’)

Source: Citizens for Tax Justice
CAs widening wedge of wage inequality

Incomes of typical households in California plunge back to 1998 levels

Source: Sylvia Allegretto's analysis of U.S. Census data 2012.
We have the most productive workers in the world!

Source: Economic Policy Institute’s stateofworkingamerica.org Allegretto 2012
The only deficit that matters... JOBS

Is inequality a problem?

Yes, given the degree of inequality in the U.S.

- The wealthy are not taking the rest of us with them—vast riches for a few are at the expense of the many
- Long run economic growth is stunted as a rising tide that lifts all boats keeps rising (see Berg & Ostry 2011)
- Everyone—even the wealthy—would be better off with a smaller slice of a growing economic pie
- The tax system allows well off & Corporations to avoid paying
- Dismantling of public services: especially education
- YOYO Economics for Workers. Wages stagnate, and the burden of taxes, health care & retirement is shifted to them
- Effect on our Democracy?
What can California do?

Federal government must lead the way

- More progressive state income tax structure
- Institute progressive inheritance, gift & estate taxes
- Institute an oil severance tax
- Invest in k-12 and higher education
- Strengthen job quality
- Increase & index the minimum wage
- Get rid of enterprise zones
- Strengthen project labor agreements
- California bid preferences
- Institute a rainy day fund
THE NECESSARY FRAYING OF THE FOLKLORE

Horatio Algiers
- Hard facts on Mobility
- Rungs on the ladder
- Middle class

Free Market
- Patriotism
- Religion
- Deterministic

Meritocracy
- Equal opportunities
- You get what you deserve
- Inequality at the starting gate

Allegretto 2012
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The Fraying of the Folklore

SF-NABE

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Extra slides
Occupy the Wall across the Street

Jared Bernstein and Sylvia Allegretto, IRLE
Under-employment rates

Source: Allegretto’s calculations of BLS CPS U6 data.
Where are all the workers? (Employment rates)

Source: Sylvia Allegretto's analysis of CPS data, EPOPs or Employment rates.
Long-term unemployment

Source: Allegretto's calculations of BLS CPS data.