

The American Dream

Fraying of the Folklore

**National Association of Business
Economics**

San Francisco Chapter

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San Francisco, California

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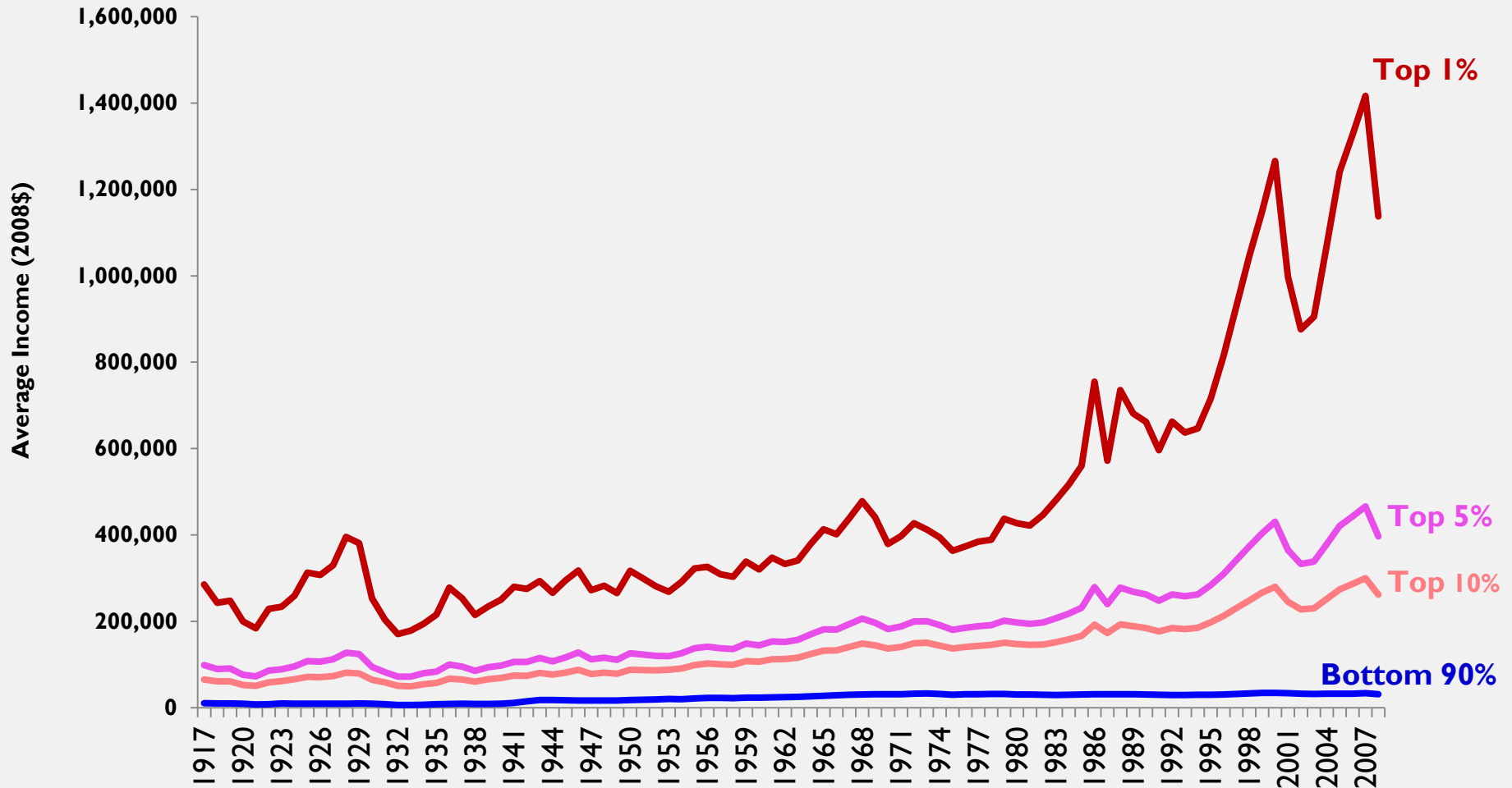
University of California, Berkeley

The background of the text is a stylized American flag. The top-left corner features a field of white stars on a grey background, while the rest of the image consists of horizontal stripes alternating between white and grey.

**“I have spent my life
measuring the distance
between America and
the American Dream”**

~Bruce Springsteen

What everyone is talking about...



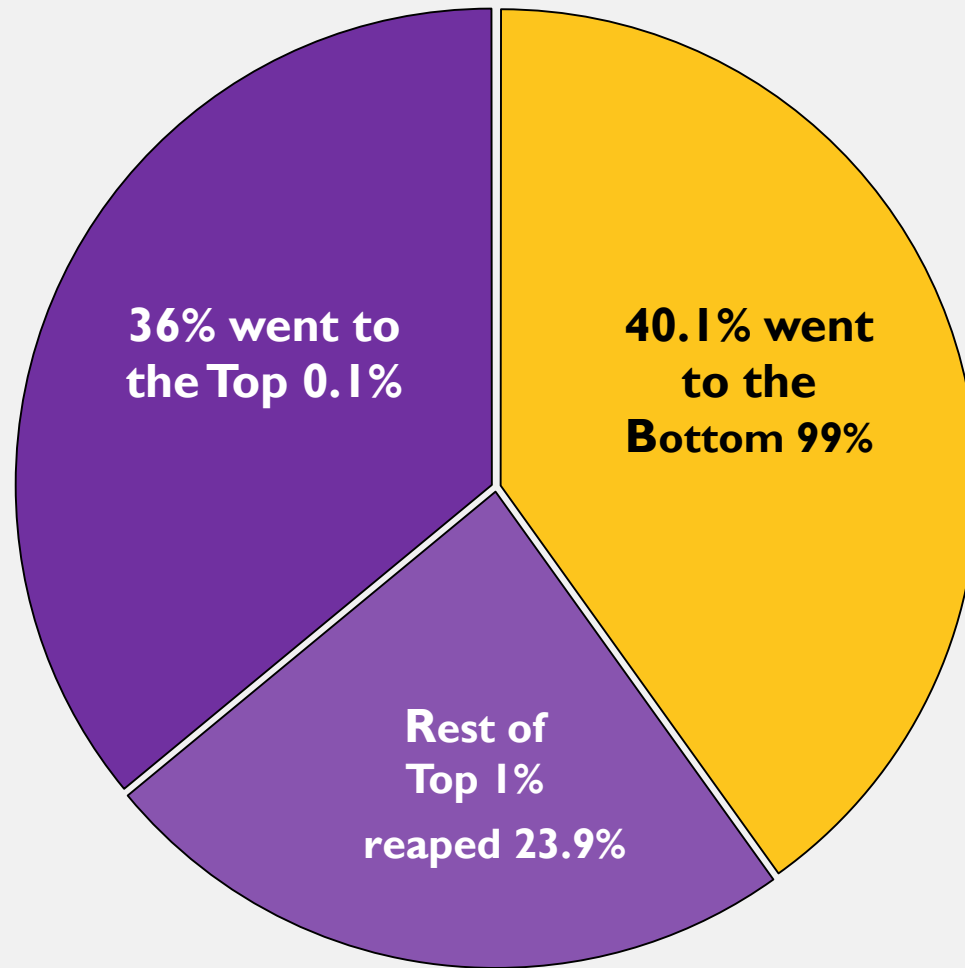
Note: U.S. before-tax income.
Source: Piketty, T. and Saez, E., The World Top Incomes Database.

Allegretto 2012

The not so invisible hand

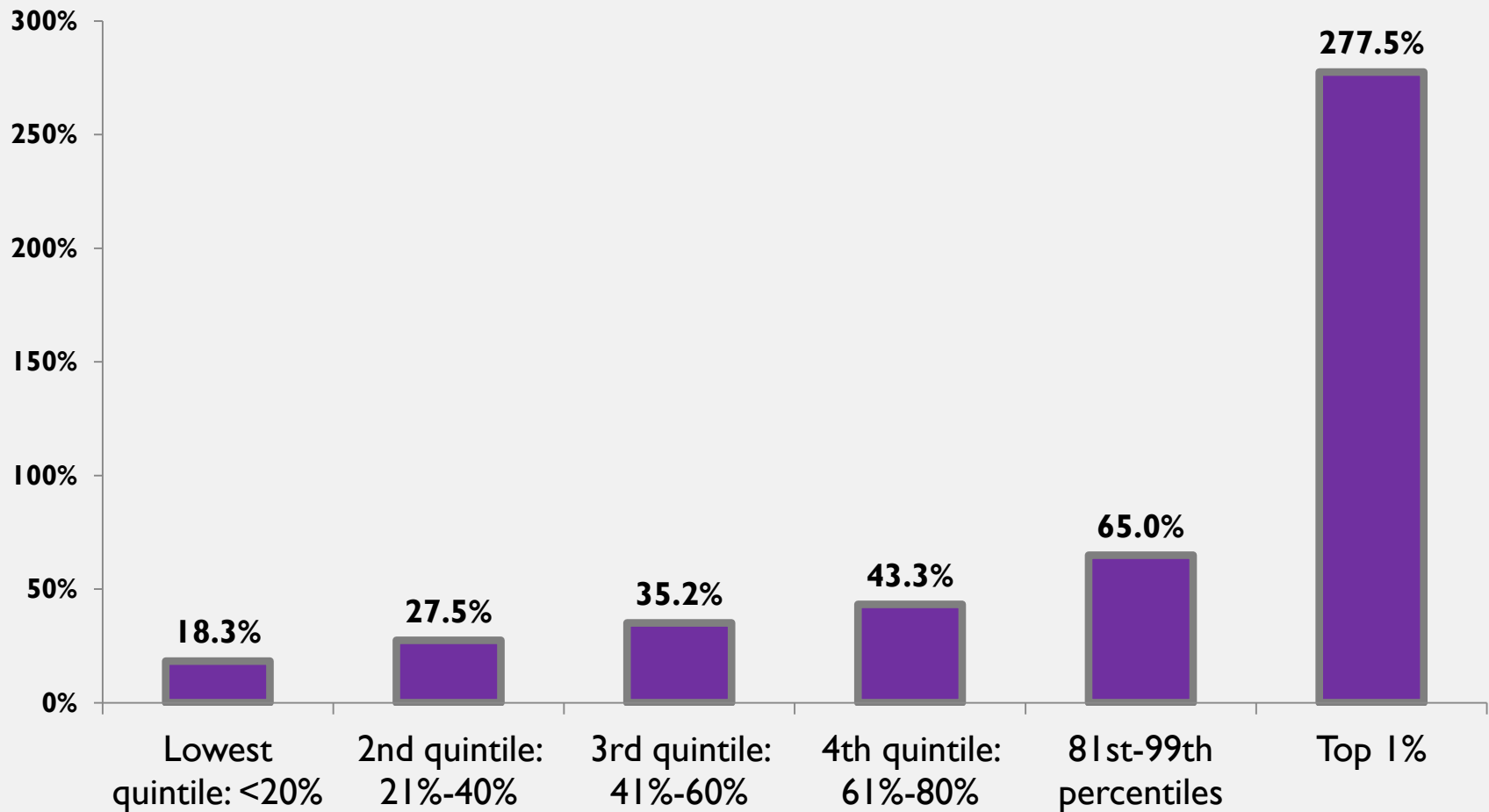
(Share of U.S. income growth 1979-07)

59.9% of all gains went to Top 1%



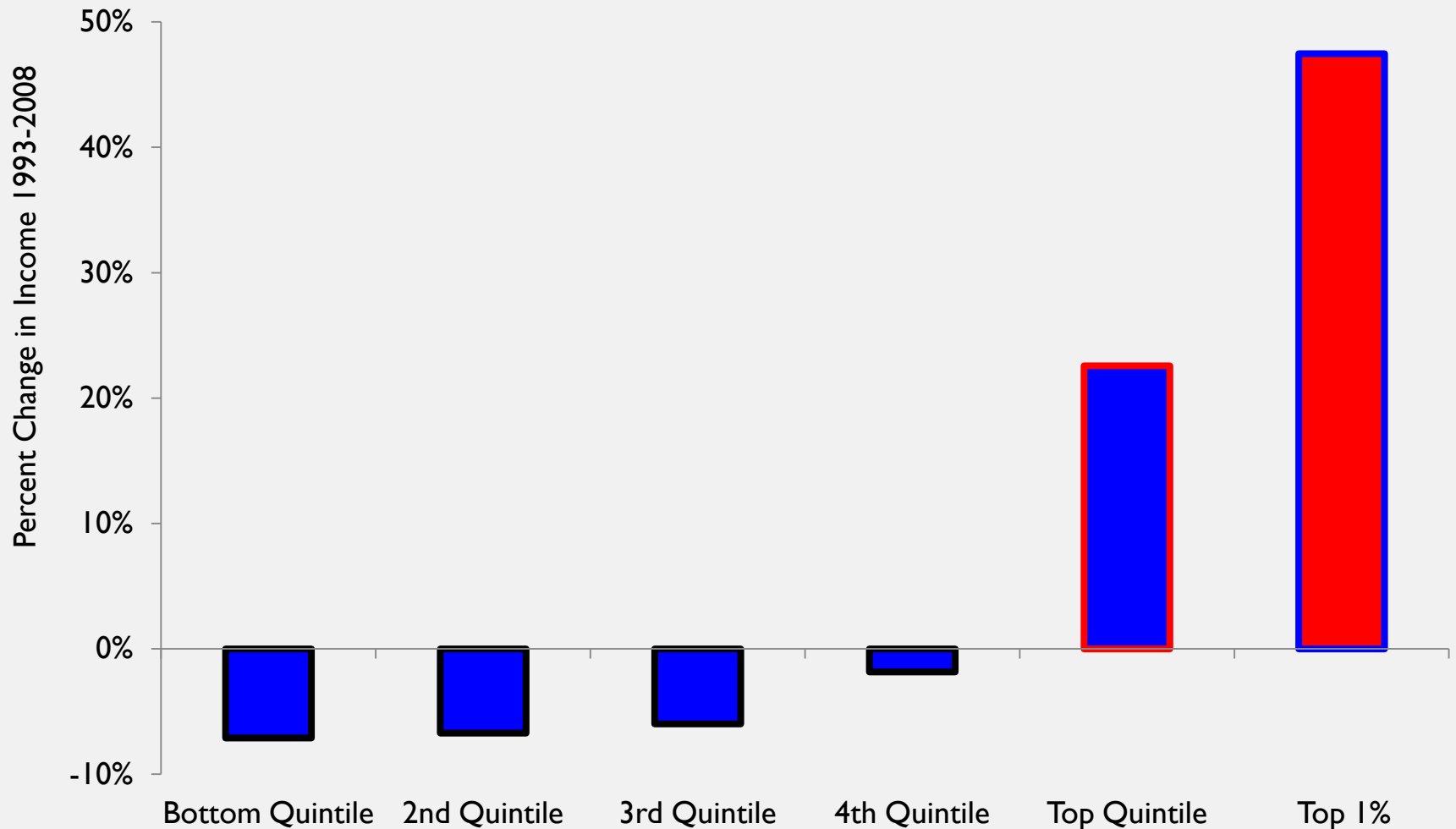
Astonishing picture of income growth

(Growth in inflation adjusted after-tax income from 1979 to 2007)



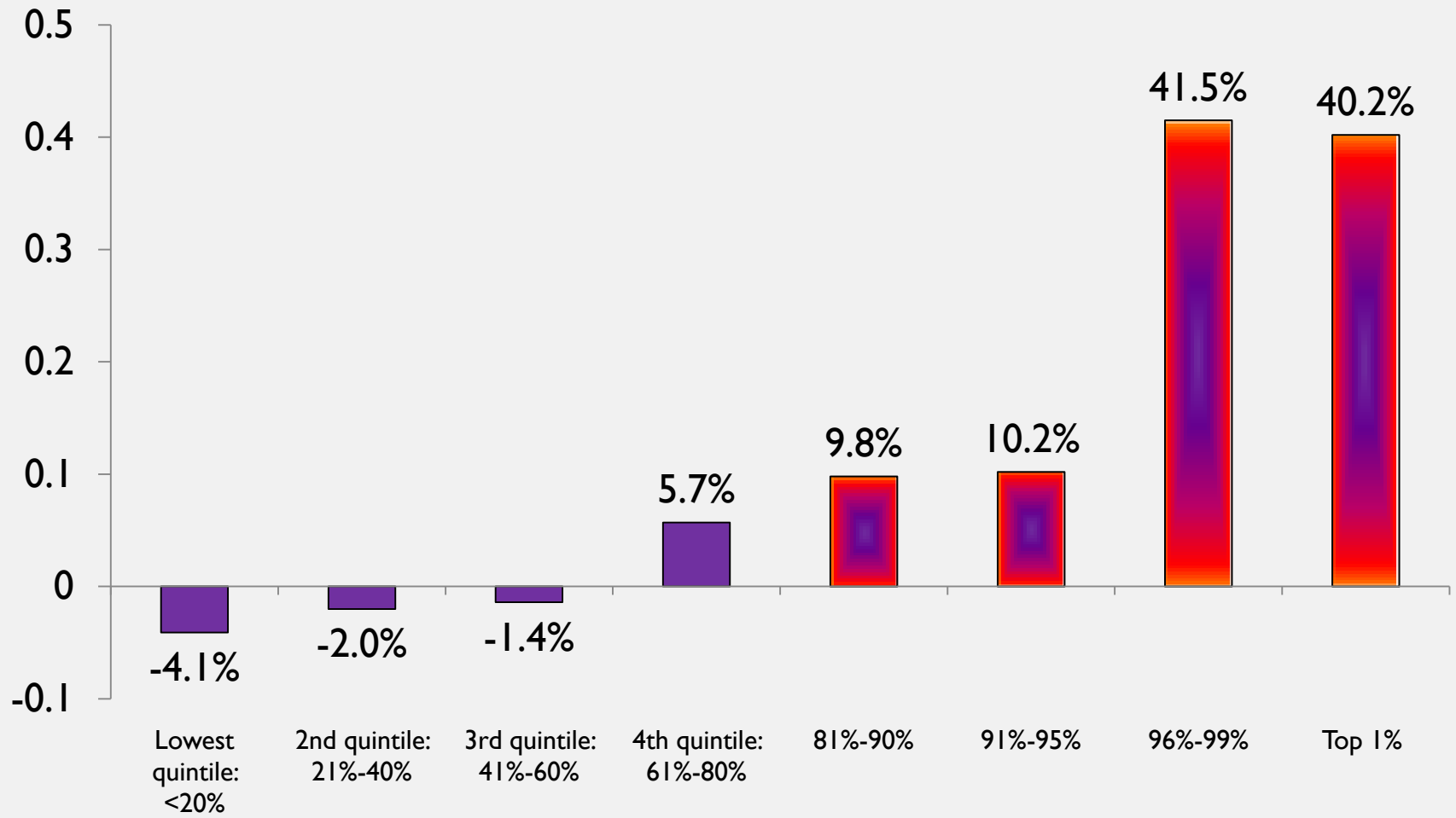
Not a pretty picture for California

(Income growth, 1993-2008)

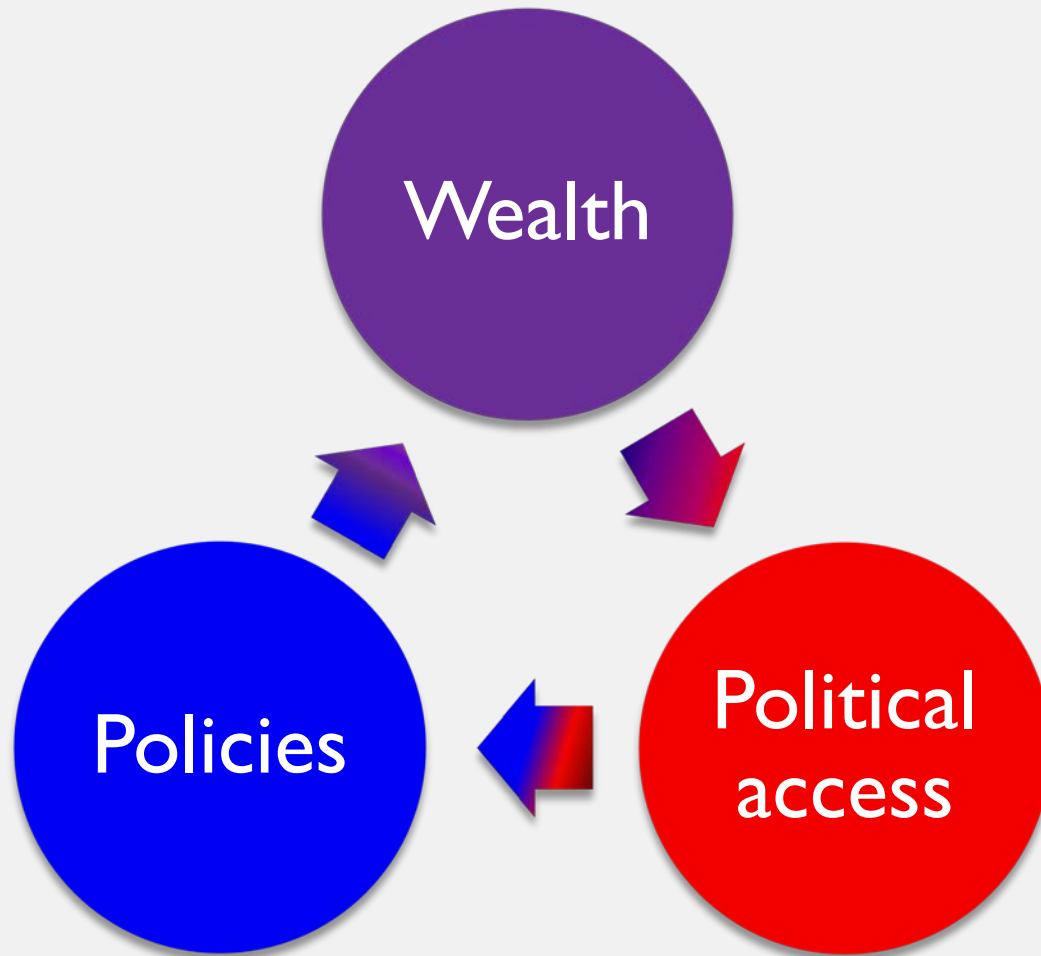


The rich are getting richer!

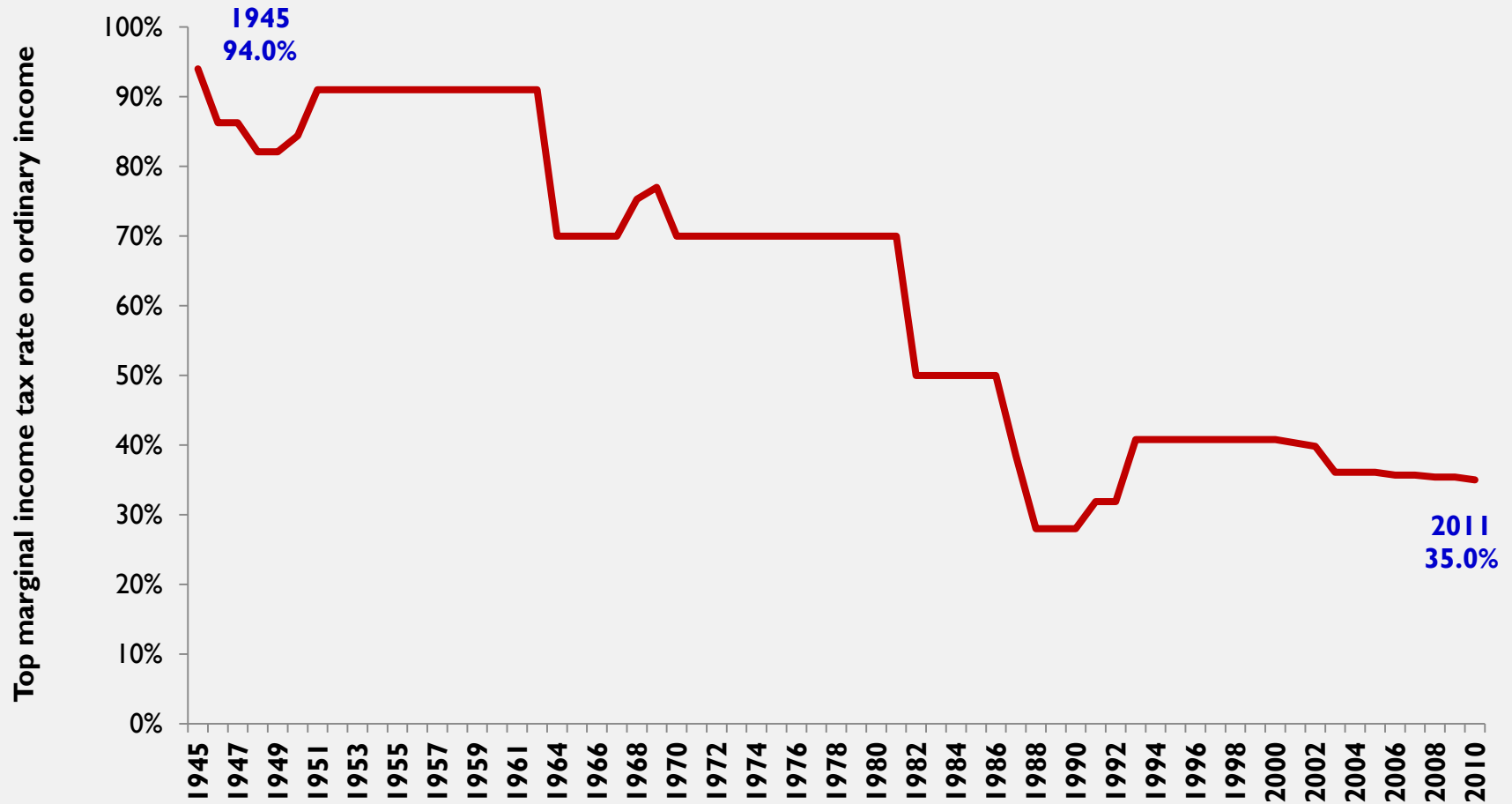
(Change in U.S. wealth, 1983-2009)



Vicious cycle makes it clear the 'free market' isn't free

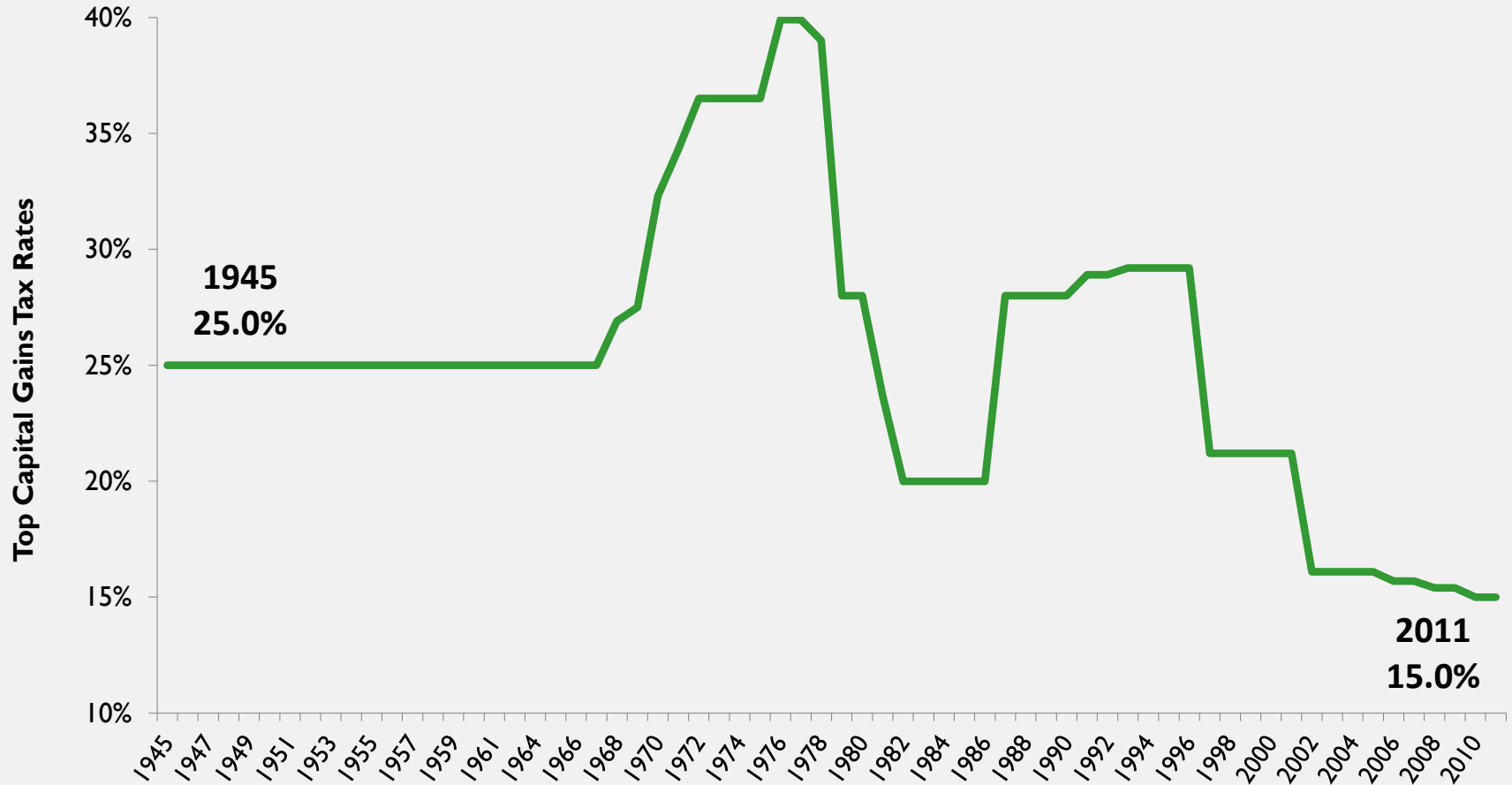


Falling top-marginal tax rates

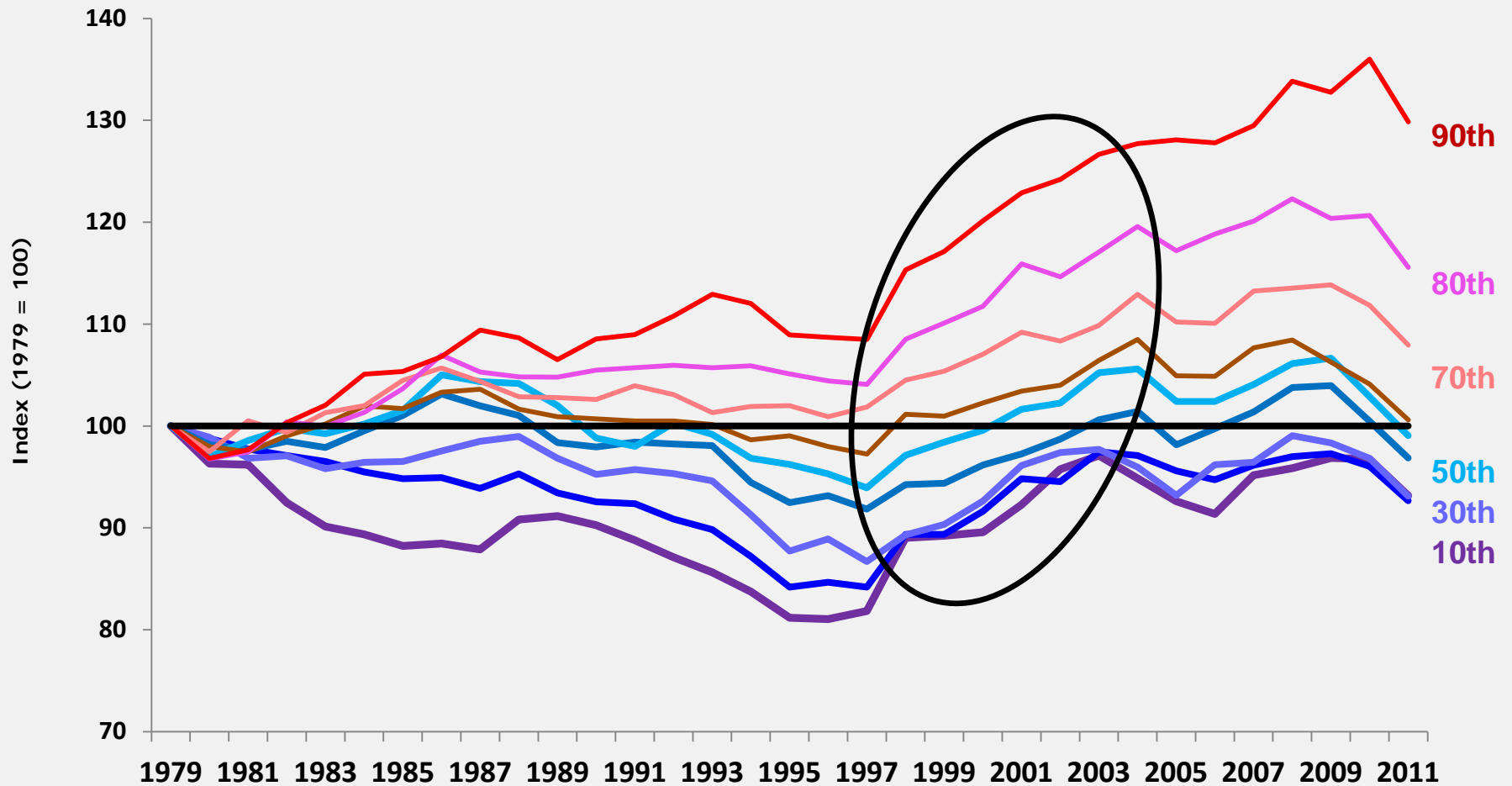


Work Vs. a call to your broker

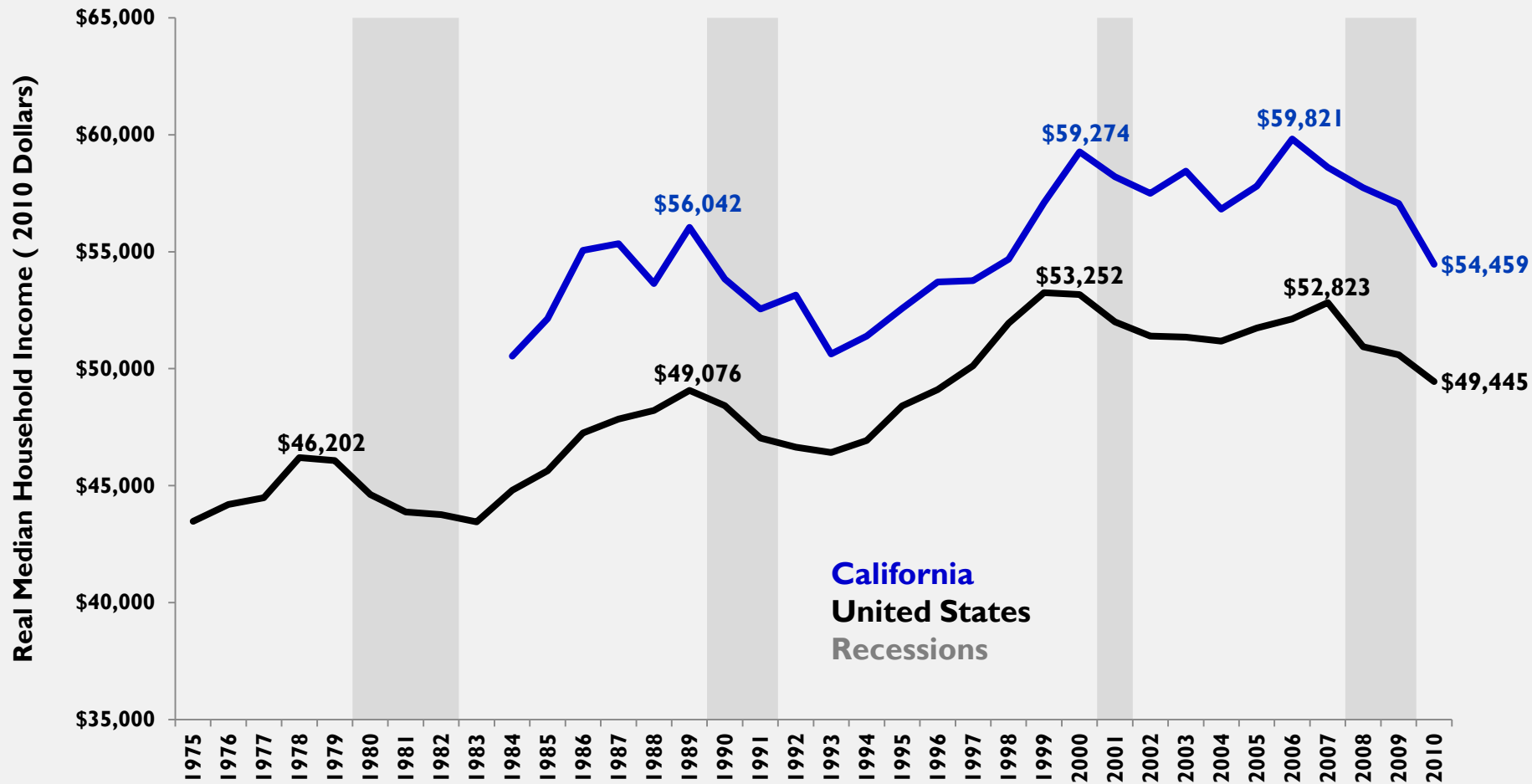
(this isn't a natural result of the 'free market')



CAs widening wedge of wage inequality

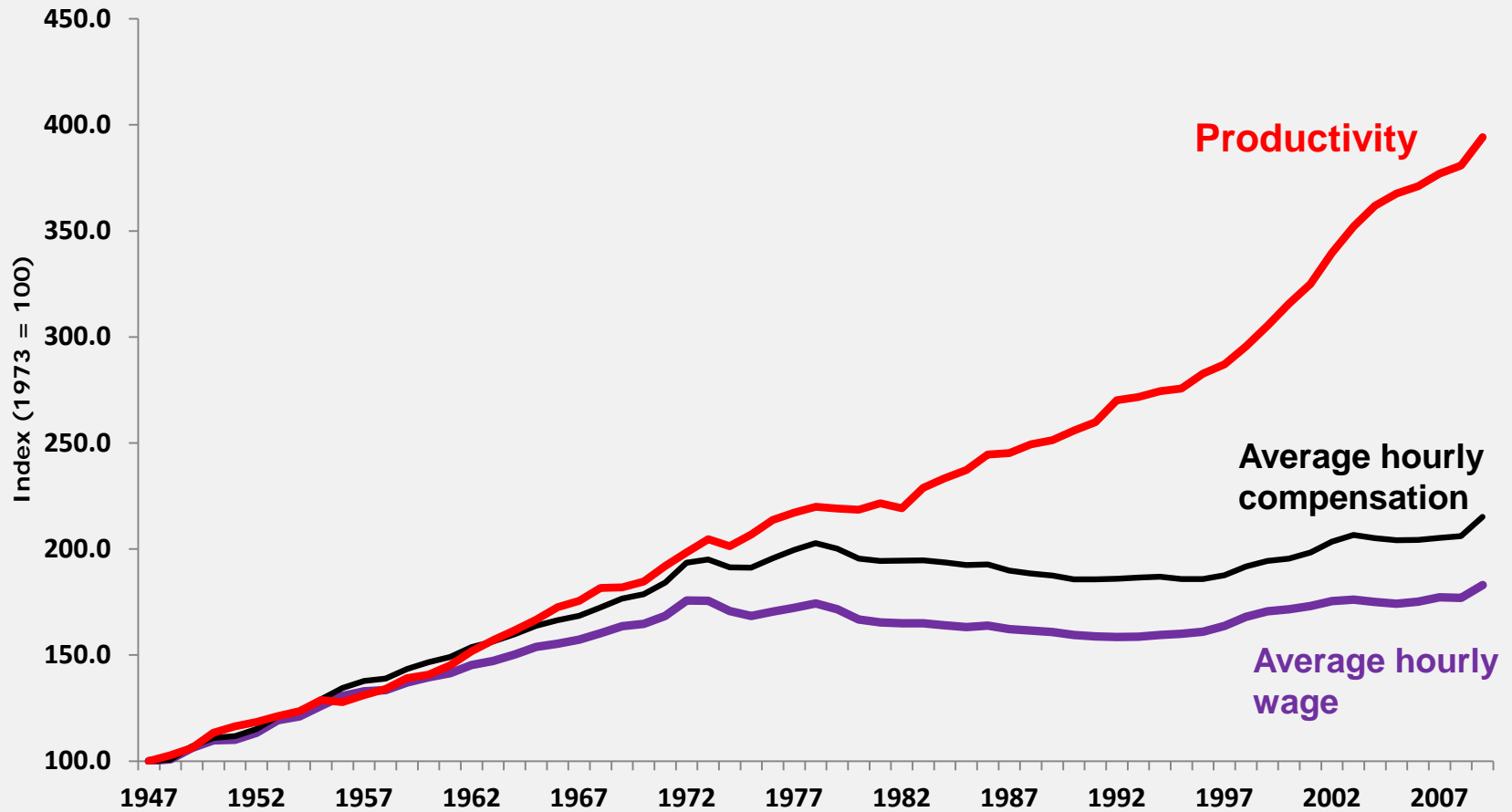


Incomes of typical households in California plunge back to 1998 levels

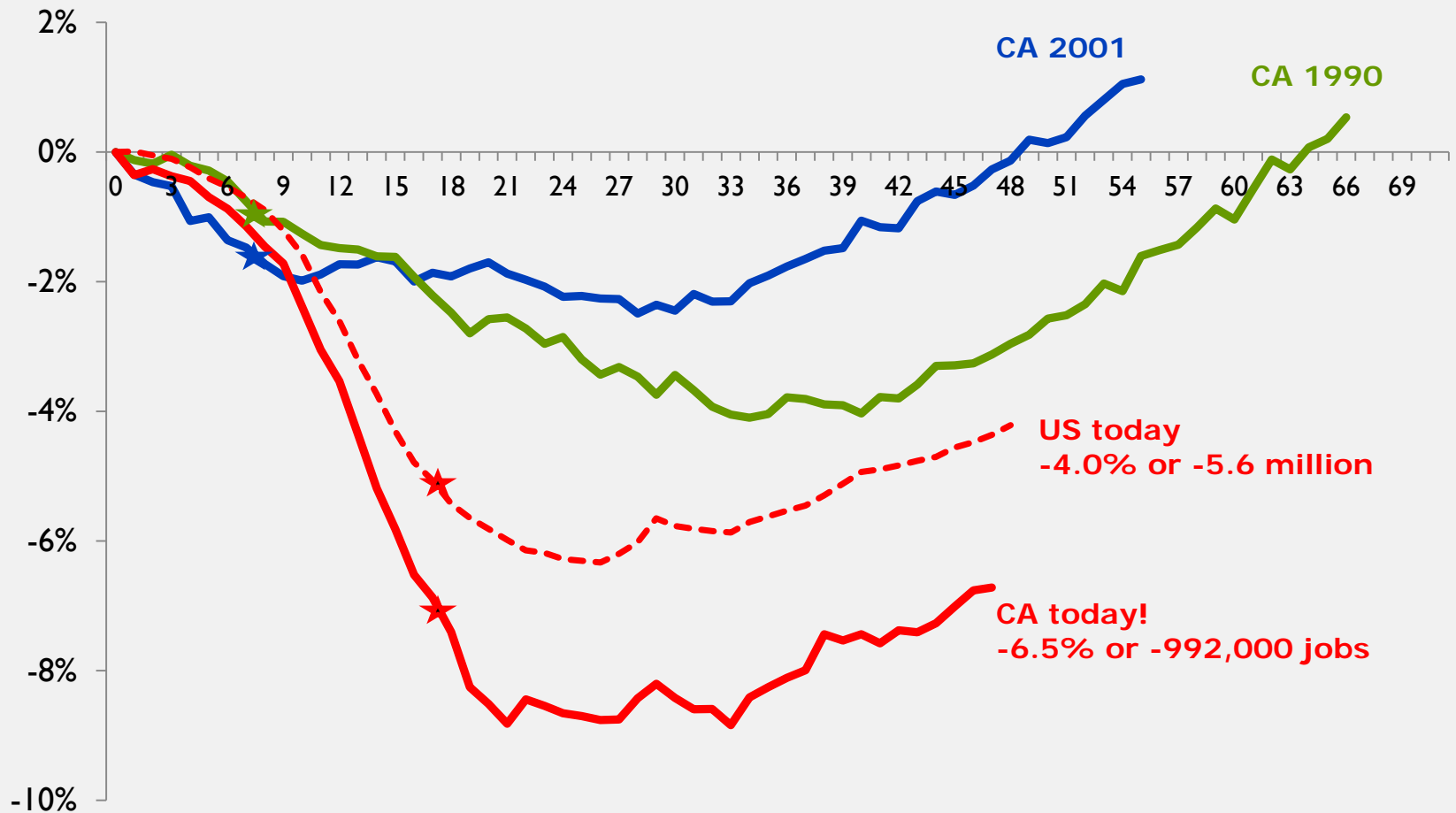


Source: Sylvia Allegretto's analysis of U.S. Census data 2012.

We have the most productive workers in the world!



The only deficit that matters...JOBS



Source: Sylvia Allegretto's analysis of Current Employment Statistics data. Data as of Jan. 2012.



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

THANK YOU!

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The Fraying of the Folklore

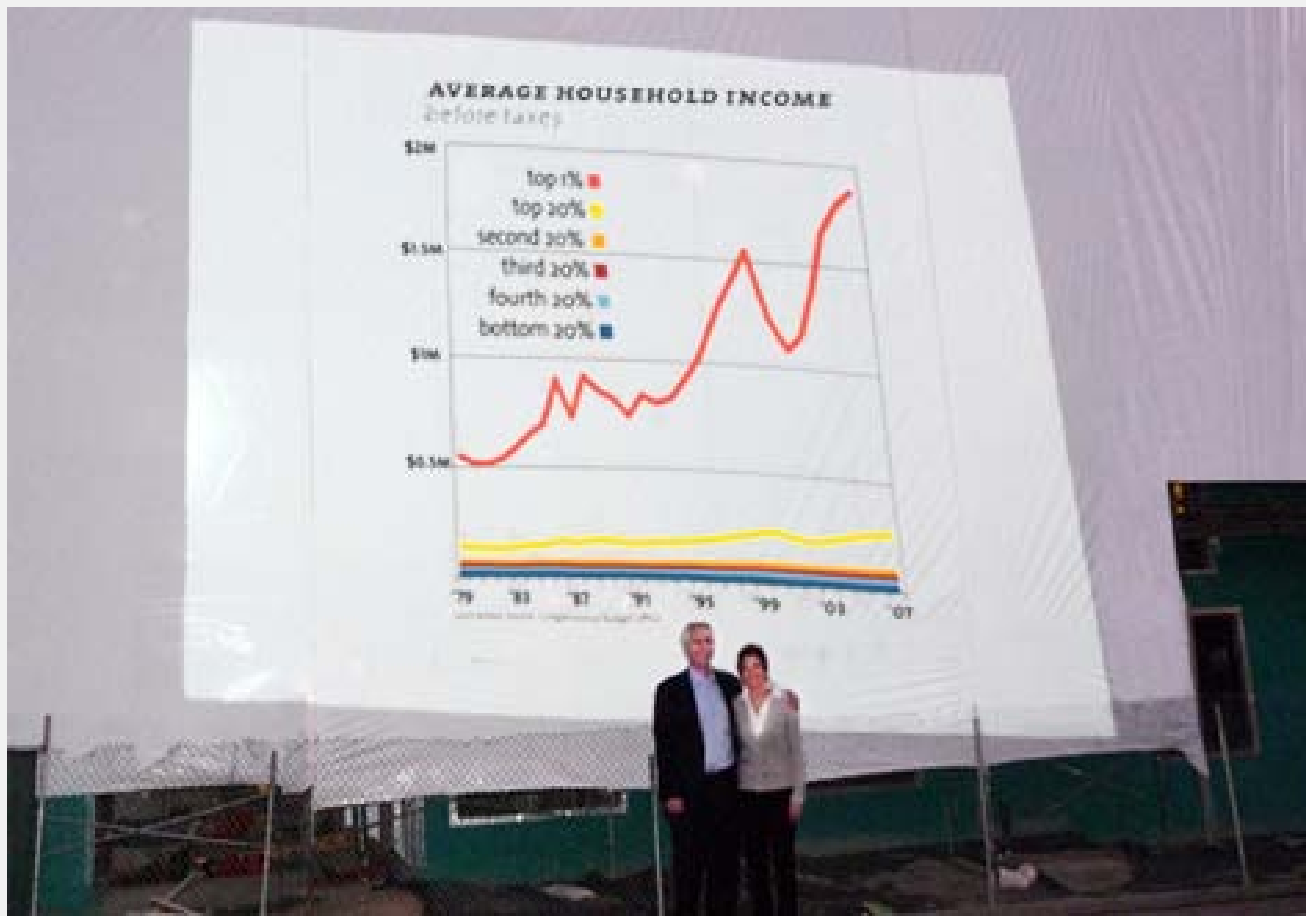
SF-NABE

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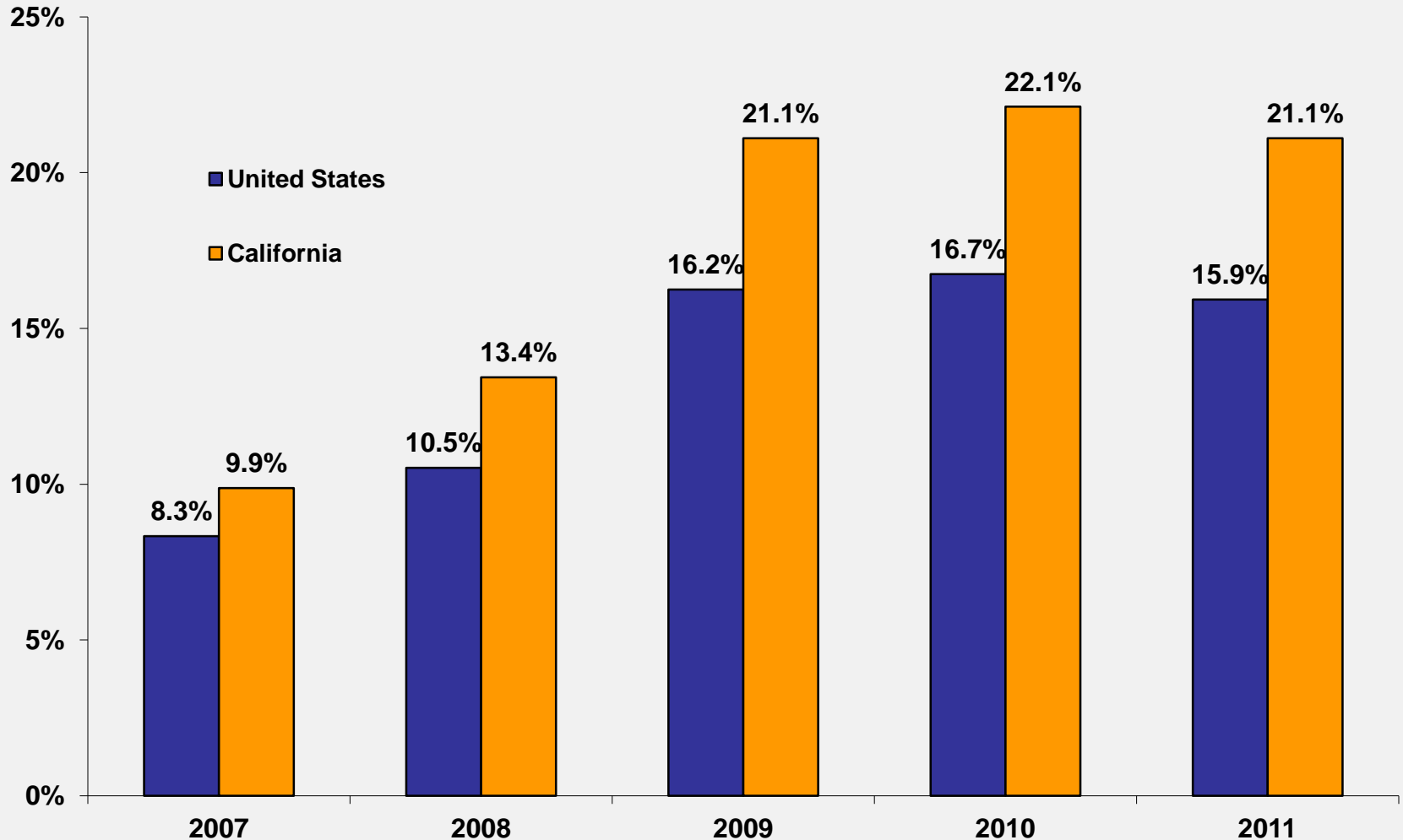
▶ **Extra slides**

Occupy the Wall across the Street



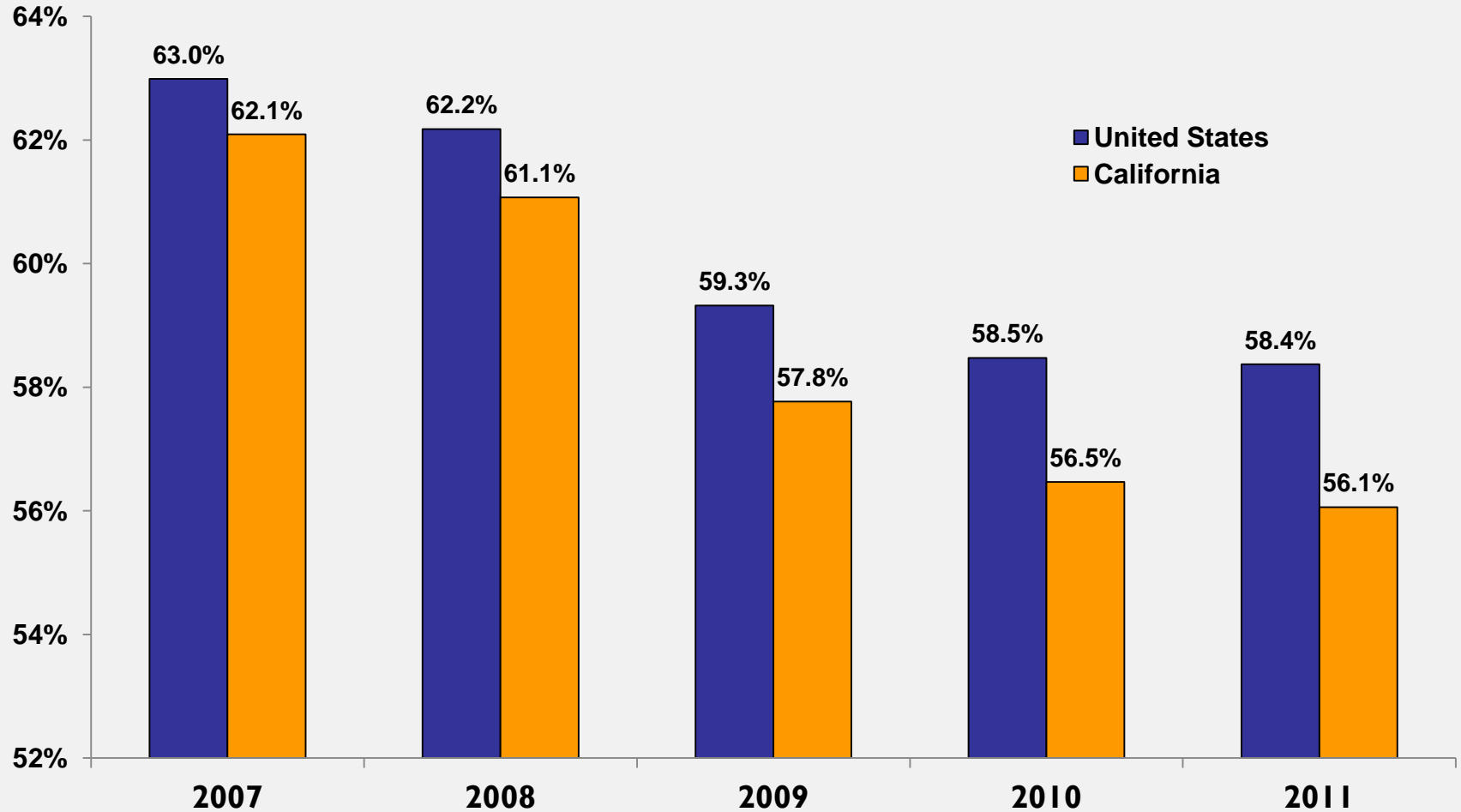
▶ Jared Bernstein and Sylvia Allegretto, IRLE

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

