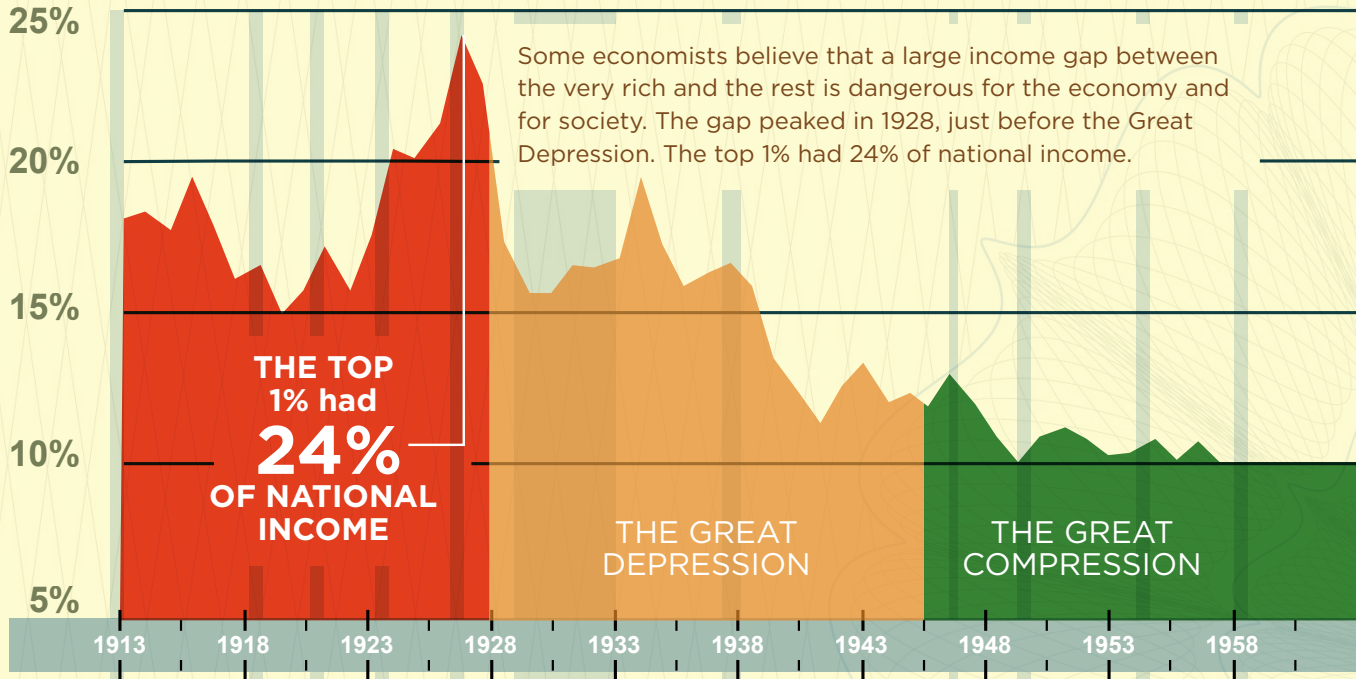


THE BIG PICTURE: RISING ECONOMIC INEQUALITY IN AMERICA—THE NEW GILDED AGE

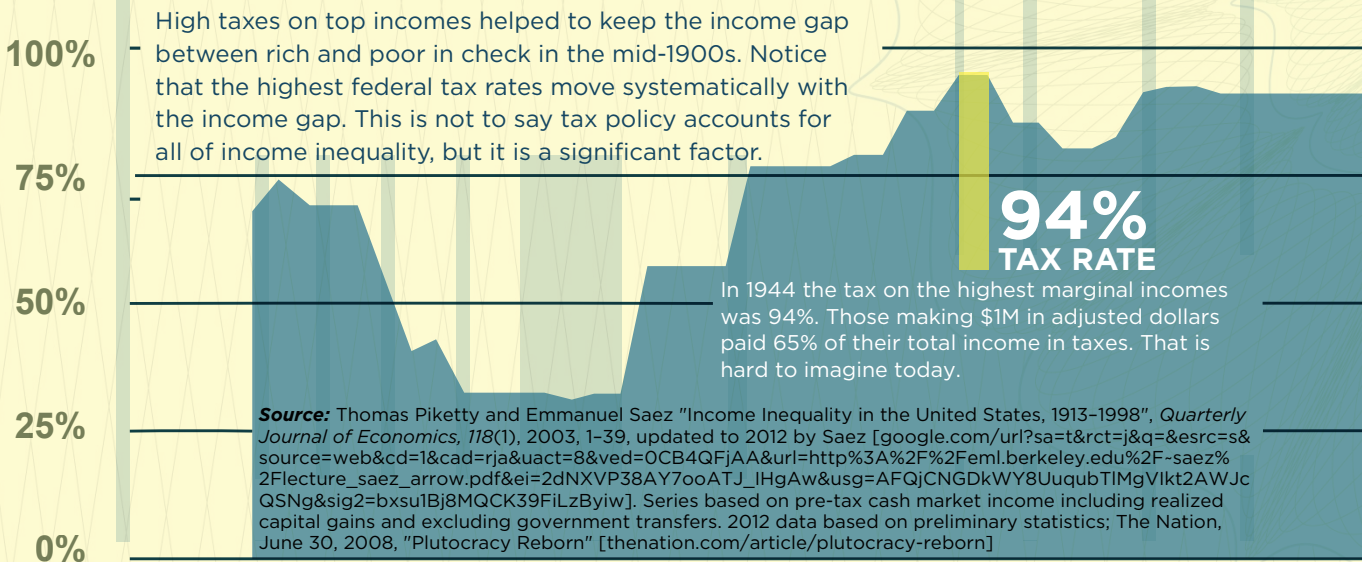
There was a time when the American dream of working hard and achieving a better life was a realistic aspiration. That dream becomes an illusion for many as more and more of the national income becomes concentrated at the top one percent and higher. Globalization, the transition from a manufacturing to a service economy, and government policies all contribute to this growing economic inequality.

Wealth Inequality Share of total income held by the top 1% of earners, in 2012 dollars



Does Government Policy Affect Inequality? Top marginal federal tax rate

High taxes on top incomes helped to keep the income gap between rich and poor in check in the mid-1900s. Notice that the highest federal tax rates move systematically with the income gap. This is not to say tax policy accounts for all of income inequality, but it is a significant factor.



Source: Thomas Piketty and Emmanuel Saez "Income Inequality in the United States, 1913–1998", *Quarterly Journal of Economics*, 118(1), 2003, 1–39, updated to 2012 by Saez [http://go.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&cad=rja&uact=8&ved=OCB4QFjAA&url=http%3A%2F%2Feml.berkeley.edu%2F-saez%2Flecture_saez_arrow.pdf&ei=2dNXVP38AY7ooATJ_IHgAw&usq=AFQjCNGDKWY8UuqubTIMgVikt2AWJcQSNg&sig2=bxsu1Bj8MQCK39FiLzByiw]. Series based on pre-tax cash market income including realized capital gains and excluding government transfers. 2012 data based on preliminary statistics; The Nation, June 30, 2008, "Plutocracy Reborn" [thenation.com/article/plutocracy-reborn]