Comments on:  

Confronting Inequality
How Societies can Choose Inclusive Growth

Heather Boushey
January 31, 2019
“Of the tendencies that are harmful to sound economics, the most seductive, and in my opinion the most poisonous, is to focus on questions of distribution... [Of] the vast increase in the well-being of hundreds of millions of people that has occurred, virtually none of it can be attributed to the direct redistribution of resources from rich to poor. The potential for improving the lives of poor people by finding different ways of distributing current production is nothing compared to the apparently limitless potential of increasing production.”

Average growth used to be a good proxy for most Americans


Only the top 10 percent have seen above-average growth

Average annual income growth for earners in each percentile of the U.S. population, 1980–2014.

Average income growth has slowed in recent decades

Average annual growth of U.S. national income.

1963-1979: 1.7%
1980-2014: 1.4%

Aggregate numbers mask how growth is distributed

Per capita annual real National Income growth in each year

Since the 1980s, more growth has flowed to high income Americans
Per capita annual real National Income growth in each year subdivided by amount of growth earned by each income group.

Real gross domestic product (GDP) increased at an annual rate of 3.0 percent in the second quarter of 2017 (table 1), according to the "second" estimate released by the Bureau of Economic Analysis. In the first quarter, real GDP increased 1.2 percent.

The GDP estimate released today is based on more complete source data than were available for the "advance" estimate issued last month. In the advance estimate, the increase in real GDP was 2.6 percent. With this second estimate for the second quarter, the general picture of economic growth remains the same; increases in personal consumption expenditures (PCE) and in nonresidential fixed investment were larger than previously estimated. These increases were partly offset by a larger decrease in state and local government spending (see "Updates to GDP" below).

Real gross domestic income (IDI) increased 2.9 percent in the second quarter, compared with an increase of 2.7 percent (revised) in the first. The average of real GDP and real IDI, a supplemental measure of U.S. economic activity that equally weights GDP and IDI, increased 3.0 percent in the second quarter, compared with an increase of 2.8 percent in the first quarter (table 1).

The increase in real GDP in the second quarter reflected positive contributions from PCE, nonresidential fixed investment, exports, federal government spending, and private inventory investment that were partly offset by negative contributions from residential fixed investment and state and local government spending. Imports, which are a subtraction in the calculation of GDP, increased (table 2).

The acceleration in real GDP in the second quarter primarily reflected upturns in private inventory investment and federal government spending and an acceleration in PCE that were partly offset by downturns in residential fixed investment and state and local government spending and a deceleration in exports.
Real gross domestic product (GDP) increased at an annual rate of 3.0 percent in the second quarter of 2017 (table 1), according to the "second" estimate released by the Bureau of Economic Analysis. In the first quarter, real GDP increased 1.2 percent.

Incomes of the top 1% of earners in the economy grew by 4.0%, representing 26.7% of GDP growth. Gains made by the top 10% of earners made up 36.7% of overall GDP growth while the Middle 40% of earners captured 16.7% of GDP growth and the bottom 50% of earners captured 20% of GDP growth. This growth pattern is less equitable than growth in the first quarter. The 90/10 income ratio rose to 14.63 from 14.58 in the previous quarter.
ENDS