

Background Material

Congressman Barney Frank

National Press Club Luncheon

Wednesday, January 3rd, 2007

On Inequality, The Debate's Over

Match the Quote to its Source

1. "...[A]mid this country's strong economic expansion, many Americans simply aren't feeling the benefits. Many aren't seeing significant increases in their take-home pay."
2. "I agree that rising inequality is a concern in the American economy. The strength of the economy itself requires a belief of the broad American public that they are beneficiaries of a rising economy."
3. "In particular, over the past three decades, much of the gain from excellent macroeconomic performance has gone to just a small segment of the population—those already in the upper part of the distribution. As a result, inequality has grown."
4. "[W]e are getting a bivariate income distribution. And as I have said many times in the past: For a democratic society this is not healthful, to say the least..."
5. "...[T]he vast global middle is not sharing the benefits of the current period of economic growth – and...its share of the pie may even be shrinking."
6. "Inequality in the United States is on the rise, whether measured in terms of wages, family incomes, or wealth."
7. "The historic change in the competitive environment heightens the already difficult effects on income inequality...That makes domestic policies that promote broad based participation in growth and economic security all the more important – both as values in themselves and also because they can better promote growth."
8. "The pressures of inequality on middle and working class Americans have grown more severe despite the general prosperity."
9. "...[A] rising bar for competition has increased inequality and the level of financial risk that most Americans face."

A. Ben Bernanke, Federal Reserve Chairman

B. Lawrence Summers, Treasury Secretary, 1999-2001

C. Janet Yellen, President, Federal Reserve Bank of San Francisco

D. Alan Greenspan, Chairman, Federal Reserve, 1987-2006

E. Bill Moyers, Journalist

F. Robert Rubin, Treasury Secretary, 1995-1999

G. Henry Paulson, Treasury Secretary

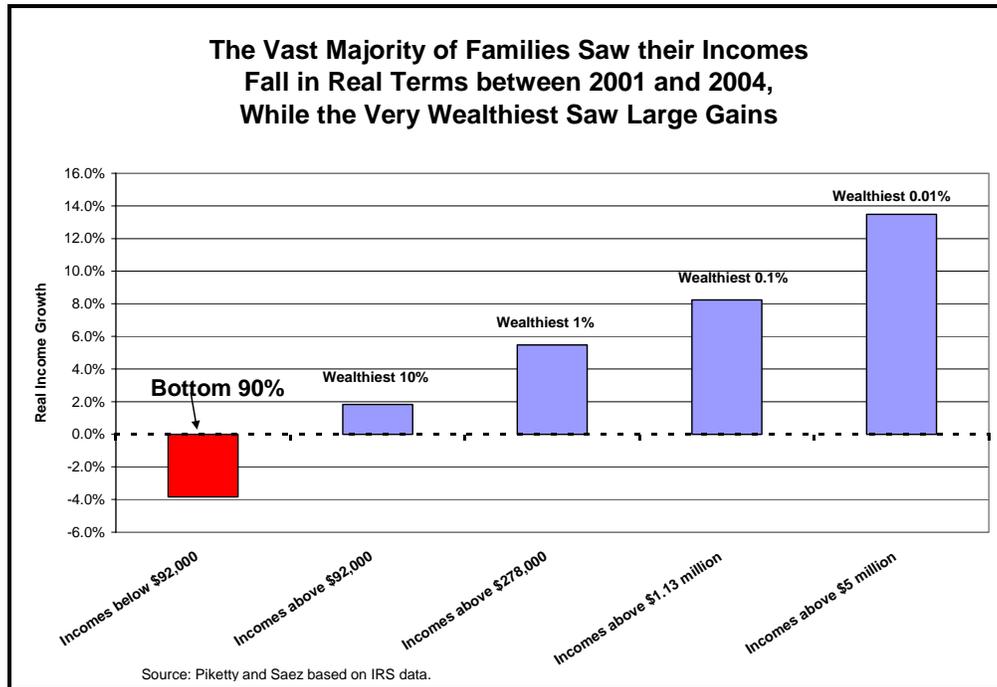
H. Economic Policy Institute

I. Council on Competitiveness

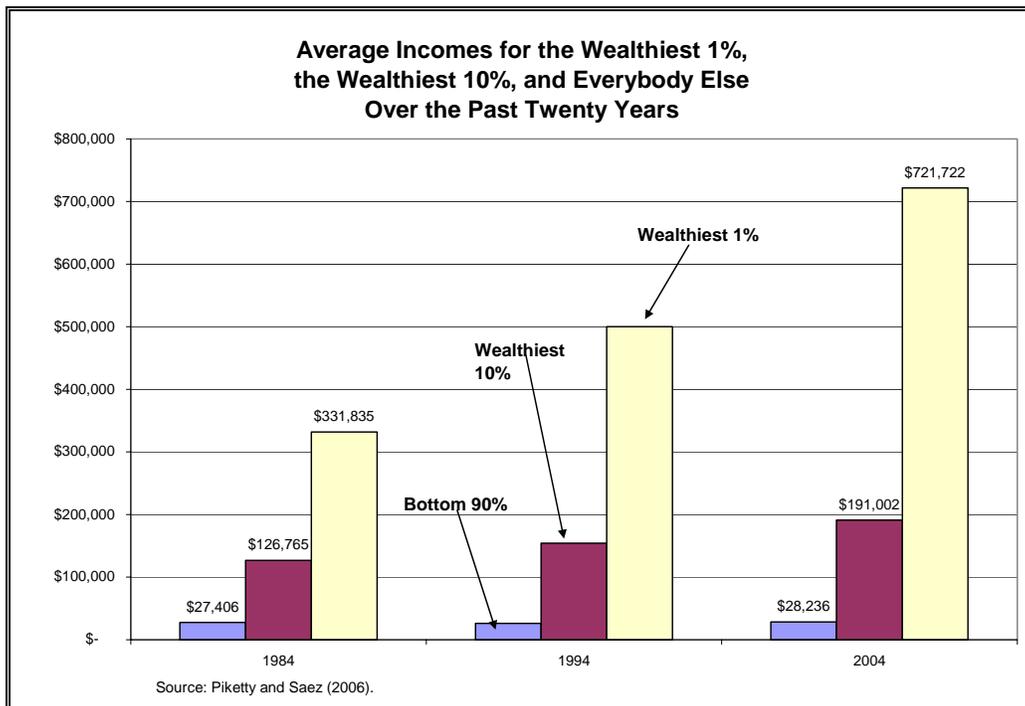
Answers:

1 G; 2 A; 3 C; 4 D; 5 B; 6 H; 7 F; 8 E;
9 I

Income inequality has increased sharply, with all of the income gains of recent years going to the wealthiest 10% of Americans.



The recent dramatic increase in inequality has exacerbated a trend of the past twenty years.



An important indicator of how income gains in the economy have been distributed are the shares of national income going to labor relative to the shares going to capital. There has been a dramatic shift over the past five years.



Although these shares fluctuate as a result of business cycles, there has clearly been a long term trend in favor of capital. As wages grew during the late 1990s, this trend reversed itself briefly, but the gains for workers during these years has been completely erased since then.

