Unbound: How Inequality Constricts Our Economy

Heather Boushey
January 30, 2020
Average growth used to be a good proxy for most Americans

Average annual income growth for earners in each percentile of the U.S. population, 1963-1979.

Average income growth has slowed in recent decades

Average annual growth of U.S. national income.

Only the top 10 percent have seen above-average income growth

Average annual income growth for earners in each percentile of the U.S. population, 1980-2016.

Inequality constricts growth by ...

• **Obstructing the supply of people and ideas** into the economy and limiting opportunity for those not already at the top, which slows productivity growth over time.

• **Subverting the institutions that manage the market**, making our political system ineffective and our markets dysfunctional.

• **Distorting demand** through its effects on consumption and investment; which both drags down and destabilizes short- and long-term growth in economic output.
New Idea:
Measure what matters
National Income and Product Accounts
Gross Domestic Product: Second Quarter 2017 (Second Estimate)
Corporate Profits: Second Quarter 2017 (Preliminary Estimate)

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 (GDI) increased 2.0 percent in the second quarter, compared with an increase of 2.7 percent (revised) in the first. The average of real GDP and real GDI, a supplemental measure of U.S. economic activity that equally weights GDP and GDI, increased 3.0 percent in the second quarter, compared with an increase of 2.0 percent in the first quarter (table 3).

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.
ENDS
Aggregate numbers mask how growth is distributed


Since the 1980s, more growth has flowed to high income Americans

Per capita annual real U.S. National Income growth subdivided by amount of growth earned by each income group, 1963-2016

annual percent change in personal pre-tax income of U.S. adults