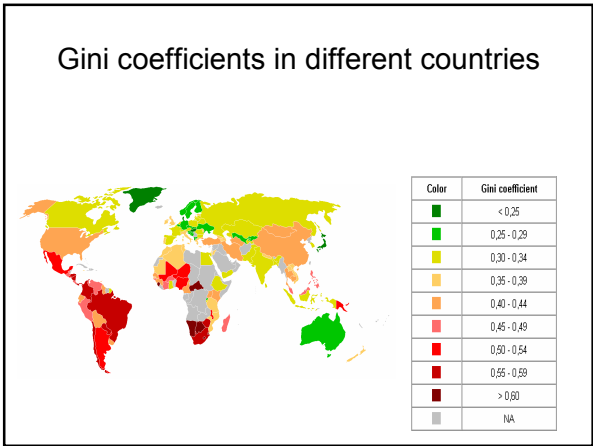
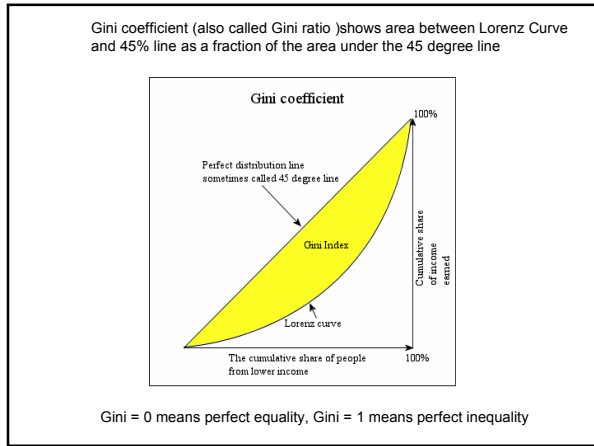
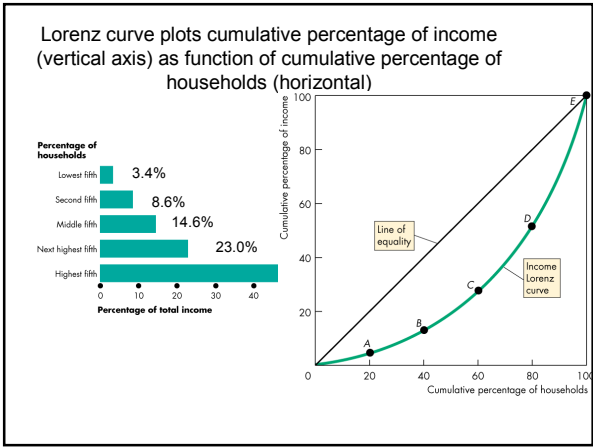


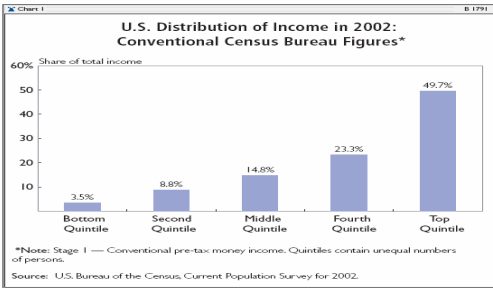
- Second exam over Chapters 10-12 on Wednesday Nov 16
- Discussion section will not meet on Wednesday
- Exams returned beginning discussion section on Friday Nov 18

Chapter 13: Labor Markets, Poverty, and Income Distribution

- D. Determinants of wages
- E. Labor market imperfections
- F. Discrimination
- G. Measuring inequality



Top 20% of households earn 50% of income.
 Bottom 20% of households earn less than 4% of income.



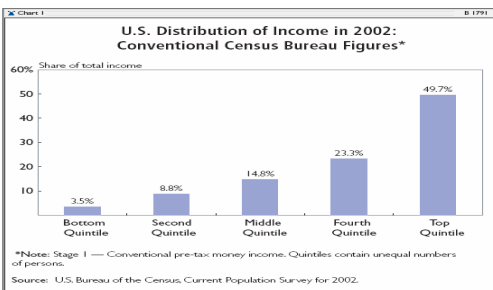
Top 20% of households by earnings include 25% of the population.

Bottom 20% of households by earnings include 14% of the population.

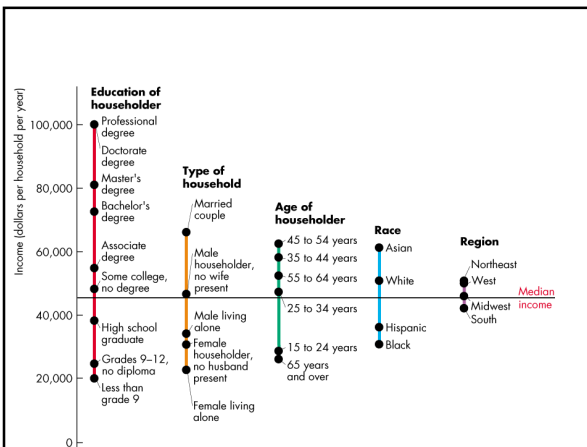
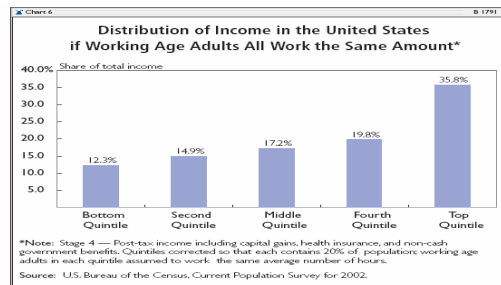
Top 20% of households by earnings performed 34% of hours worked.

Bottom 20% of households by earnings performed 4% of hours worked.

Top 20% of households earn 50% of income.
 Bottom 20% of households earn less than 4% of income.



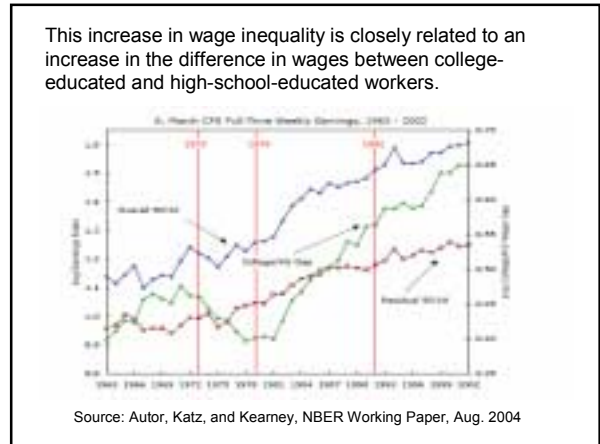
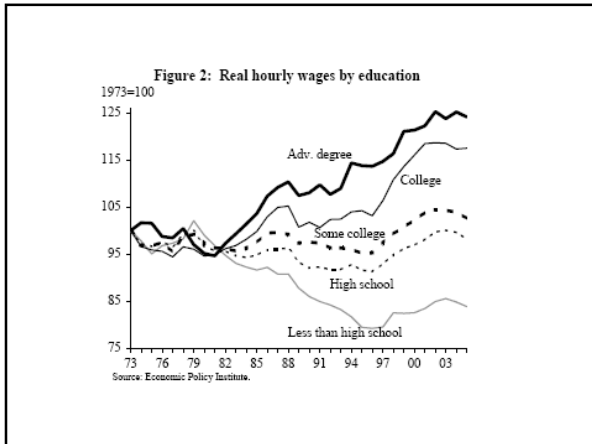
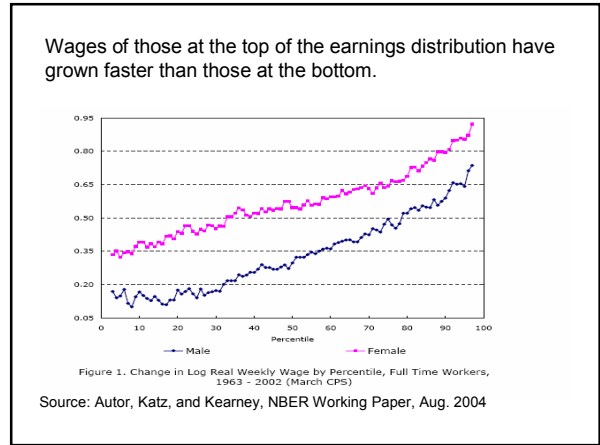
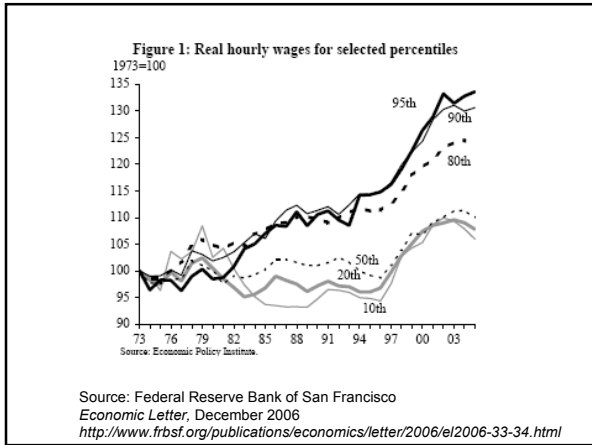
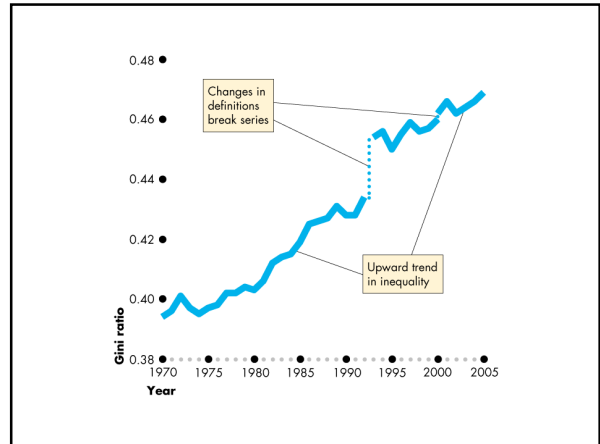
If each quintile included the same number of people working same number of hours, top 20% would earn 36% of income, bottom 20% would earn 12% of income.



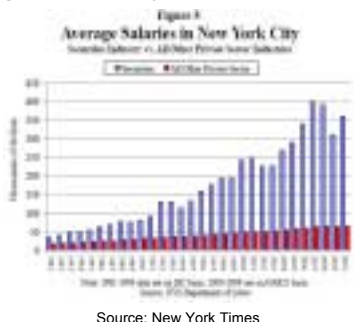
Chapter 13: Labor Markets, Poverty, and Income Distribution

- D. Determinants of wages
- E. Labor market imperfections
- F. Discrimination
- G. Measuring inequality
- H. Trends in inequality

By almost every measure, income inequality in the United States has increased over the last 40 years



Financial industry is a key factor in rising inequality in New York City



Summary:

- Over the last 40 years, the premium for those with the best education, skills and opportunities has increased tremendously
- Wage growth has been extremely slow for those in the lower half of the income distribution

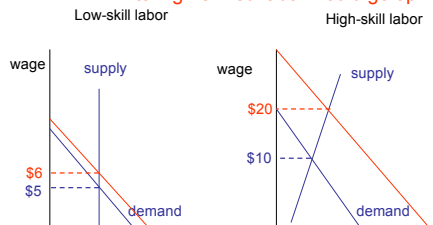
Possible explanations for increasing inequality

1. Skill-based technological progress

Wage gains come from improving technology (e.g., computers)

Those who can use and develop the new technology have the greatest gains

If demand for high-skilled labor has increased more, wage to high-skilled labor would go up

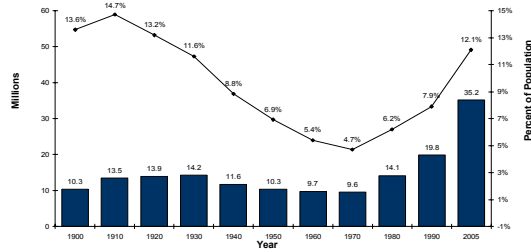


Possible explanations for increasing inequality

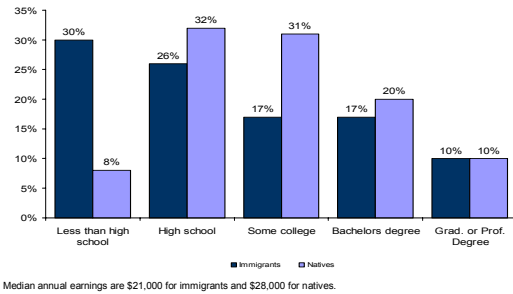
1. Skill-based technological progress
2. Immigration and globalization

The Foreign-Born Share of the US Population Is Rising

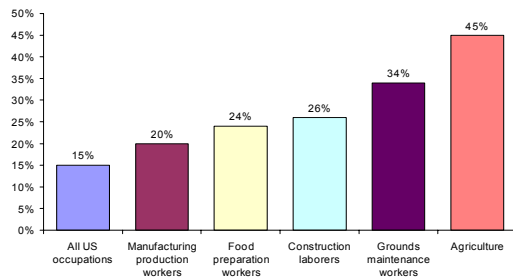
Immigrants in the US, Number and Share of Population



Education levels of immigrants and natives (2005)

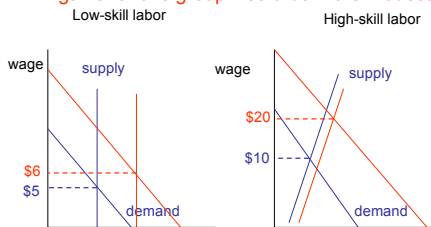


Share of immigrants in US employment, 2005



Immigration: big increase in supply of low-skilled workers

If supply of low-skilled labor has gone up faster, wage gains for this group would be more modest

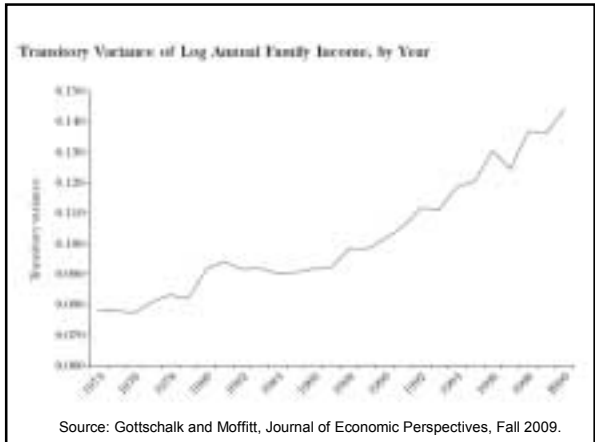


Globalization (increased competition from low-skilled foreign workers employed in other countries) would have same effect.

Possible explanations for increasing inequality

1. Skill-based technological progress
2. Immigration and globalization
3. Increased variability of income for each individual

- Suppose everybody starts in year 1 with \$40,000 income
- Half the people get a \$10,000 increase in year 2 but lose it in year 3
- The other half get no increase in year 2 but \$10,000 increase in year 3
- Result: inequality is higher in years 2 and 3 than in year 1



- Gottschalk and Moffitt, J. Econ. Perspectives, Fall 2009:

about half the increase in U.S. cross-section income inequality since the 1980s is due to increased transitory variance