

Basic

Advanced

Topics

Publications

My Research

[0 marked items](#)

Interface language:

English

[Databases selected:](#) Multiple databases...**Document View**<< [Back to Results](#)< [Previous](#) Document 14 of 1054 [Next](#) >[Publisher Information](#)

Print

Email

 Mark Document[Abstract](#), [Full Text](#)

The New York Times

Left Behind Economics; [Op-Ed][Paul Krugman](#). [New York Times](#). (Late Edition (East Coast)). New York, N.Y.: [Jul 14, 2006](#). pg. A.19>> [Jump to full text](#) >> Translate document into: >> [More Like This](#) - Find similar documentsSubjects: [Income inequality](#), [Family income](#), [Economic growth](#)Locations: [United States](#), [US](#)Author(s): [Paul Krugman](#)

Document types: Commentary

Section: A

Publication title: [New York Times](#). (Late Edition (East Coast)). New York, N.Y.: [Jul 14, 2006](#). pg. A.19

Source type: Newspaper

ProQuest document ID: 1076741741

Text Word Count: 741

Document URL: <http://proquest.umi.com/pqdweb?did=1076741741&sid=1&Fmt=3&clientId=15482&RQT=309&VName=PQD>**Abstract** (Document Summary)

The other revelation is that being highly educated was no guarantee of sharing in the benefits of economic growth. There's a persistent myth, perpetuated by economists who should know better -- like Edward Lazear, the chairman of the president's Council of Economic Advisers -- that rising inequality in the United States is mainly a matter of a rising gap between those with a lot of education and those without. But census data show that the real earnings of the typical college graduate actually fell in 2004.

The answer comes from the economists Thomas Piketty and Emmanuel Saez, whose long-term estimates of income equality have become the gold standard for research on this topic, and who have recently updated their estimates to include 2004. They show that even if you exclude capital gains from a rising stock market, in 2004 the real income of the richest 1 percent of Americans surged by almost 12.5 percent. Meanwhile, the average real income of the bottom 99 percent of the population rose only 1.5 percent. In other words, a relative handful of people received most of the benefits of growth.

Full Text (741 words)*Copyright New York Times Company Jul 14, 2006*

I'd like to say that there's a real dialogue taking place about the state of the U.S. economy, but the discussion leaves a lot to be desired. In general, the conversation sounds like this:

Bush supporter: "Why doesn't President Bush get credit for a great economy? I blame liberal media bias."

Informed economist: "But it's not a great economy for most Americans. Many families are actually losing ground, and only a very few affluent people are doing really well."

Bush supporter: "Why doesn't President Bush get credit for a great economy? I blame liberal media bias."

To a large extent, this dialogue of the deaf reflects Upton Sinclair's principle: it's difficult to get a man to understand something when his salary depends on his not understanding it. But there's also an element of genuine incredulity. Many observers, even if they acknowledge the growing concentration of income in the hands of the few, find it hard to believe that this concentration could be proceeding so rapidly as to deny most Americans any gains from economic growth.

Yet newly available data show that that's exactly what happened in 2004.

Why talk about 2004, rather than more recent experience? Unfortunately, data on the distribution of income arrive with a substantial lag; the full story of what happened in 2004 has only just become available, and we won't be able to tell the full story of what's happening right now until the last year of the Bush administration. But it's reasonably clear that what's happening now is the same as what happened then: growth in the economy as a whole is mainly benefiting a small elite, while bypassing most families.

Here's what happened in 2004. The U.S. economy grew 4.2 percent, a very good number. Yet last August the Census Bureau reported that real median family income -- the purchasing power of the typical family -- actually fell. Meanwhile, poverty increased, as did the number of Americans without health insurance. So where did the growth go?

The answer comes from the economists Thomas Piketty and Emmanuel Saez, whose long-term estimates of income equality have become the gold standard for research on this topic, and who have recently updated their estimates to include 2004. They show that even if you exclude capital gains from a rising stock market, in 2004 the real income of the richest 1 percent of Americans surged by almost 12.5 percent. Meanwhile, the average real income of the bottom 99 percent of the population rose only 1.5 percent. In other words, a relative handful of people received most of the benefits of growth.

There are a couple of additional revelations in the 2004 data. One is that growth didn't just bypass the poor and the lower middle class, it bypassed the upper middle class too. Even people at the 95th percentile of the income distribution -- that is, people richer than 19 out of 20 Americans -- gained only modestly. The big increases went only to people who were already in the economic stratosphere.

The other revelation is that being highly educated was no guarantee of sharing in the benefits of economic growth. There's a persistent myth, perpetuated by economists who should know better -- like Edward Lazear, the chairman of the president's Council of Economic Advisers -- that rising inequality in the United States is mainly a matter of a rising gap between those with a lot of education and those without. But census data show that the real earnings of the typical college graduate actually fell in 2004.

In short, it's a great economy if you're a high-level corporate executive or someone who owns a lot of stock. For most other Americans, economic growth is a spectator sport.

Can anything be done to spread the benefits of a growing economy more widely? Of course. A good start would be to increase the minimum wage, which in real terms is at its lowest level in half a century.

But don't expect this administration or this Congress to do anything to limit the growing concentration of income. Sometimes I even feel sorry for these people and their apologists, who are prevented from acknowledging that inequality is a problem by both their political philosophy and their dependence on financial support from the wealthy. That leaves them no choice but to keep insisting that ordinary Americans -- who have, in fact, been bypassed by economic growth -- just don't understand how well they're doing.

More Like This - Find similar documents

- Subjects: Income inequality Family income Economic growth
- Locations: United States US
- Author(s): Paul **Krugman**
- Document types: Commentary
- Language: English
- Publication title: New York Times

[^ Back to Top](#)

[<< Back to Results](#)

[< Previous](#) Document 14 of 1054 [Next >](#)

[Publisher Information](#)

Mark Document

,

Copyright © 2006 ProQuest Information and Learning Company. All rights reserved. [Terms and Conditions](#)

[Text-only interface](#)

ProQuest
COMPANY