

Income Inequality

Fixing Inequality from the Bottom Up

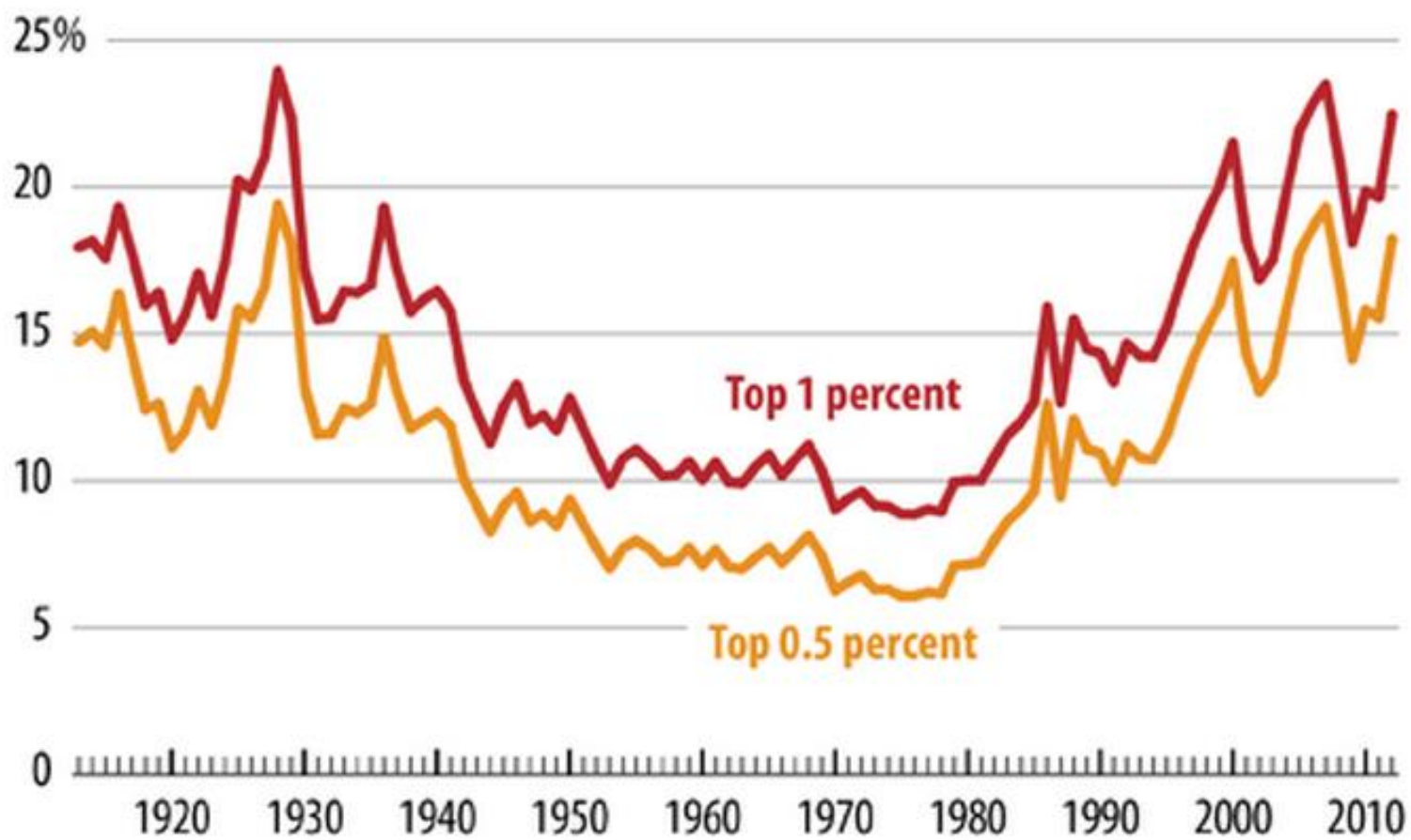
Today's Discussion

- **What is Income Inequality?**
- **How Can Alabama Fight It?**
- **How Should We Talk About It?**

What is Income Inequality?

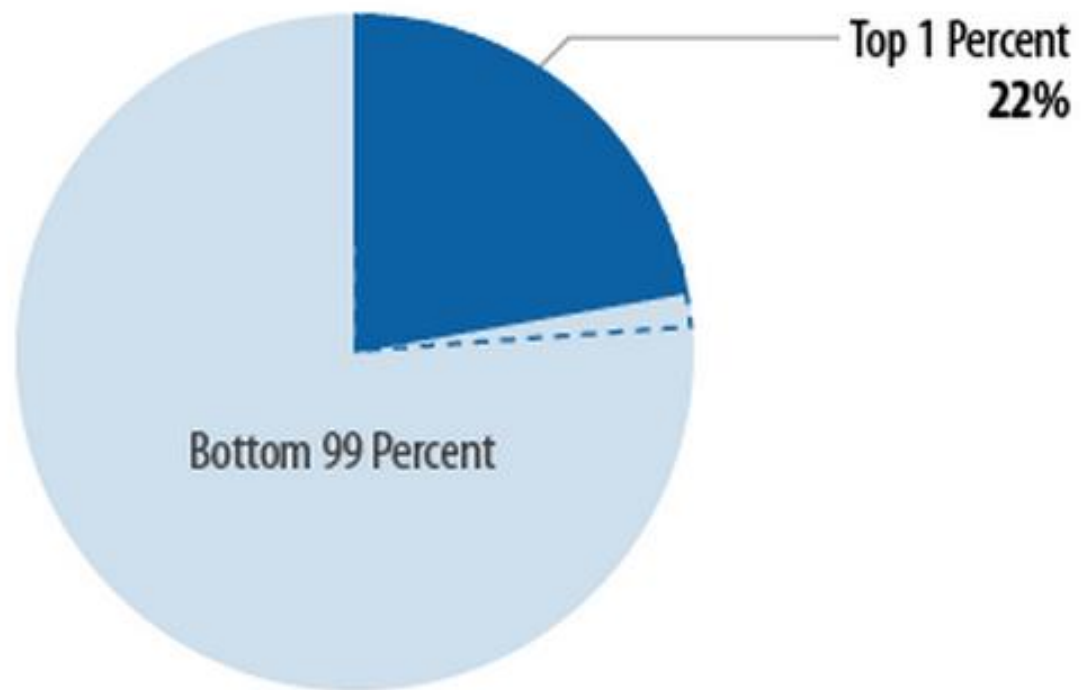
Income Concentration at the Top Has Risen Sharply Since the 1970s

Share of total before-tax income flowing to the highest income households (including capital gains), 1913-2012



Source: Emmanuel Saez, based on IRS data

Income Concentration at the Top Has Returned to Levels of the “Roaring ‘20s”



Share of total before-tax income flowing to highest income households (including capital gains)

Source: Piketty and Saez, based on IRS data

Alabama Income Inequality

Average income in 2012:

Top 1%:

\$751,844

Bottom 99%:

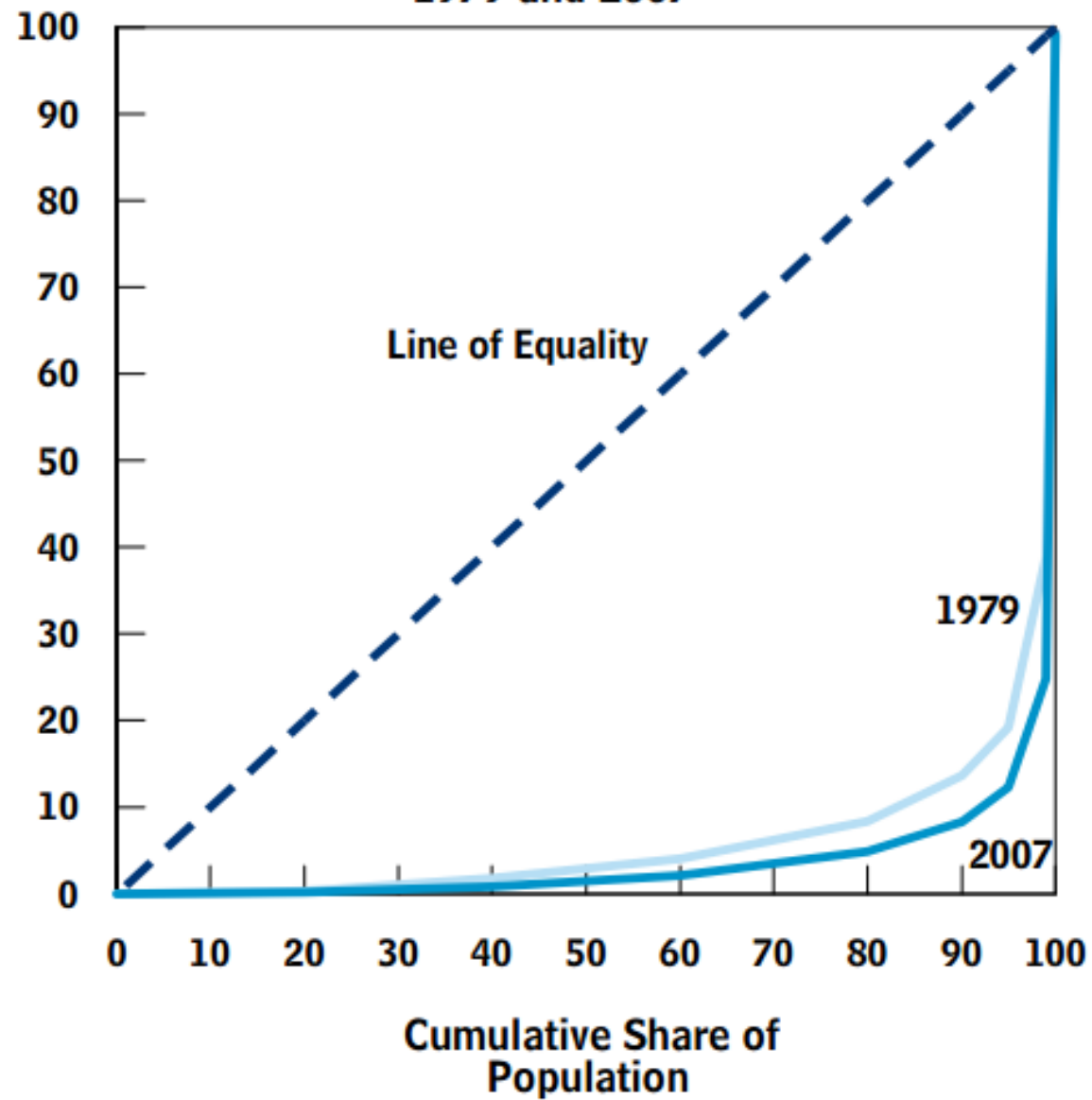
\$36,659

21 times greater

Causes of Rising Inequality

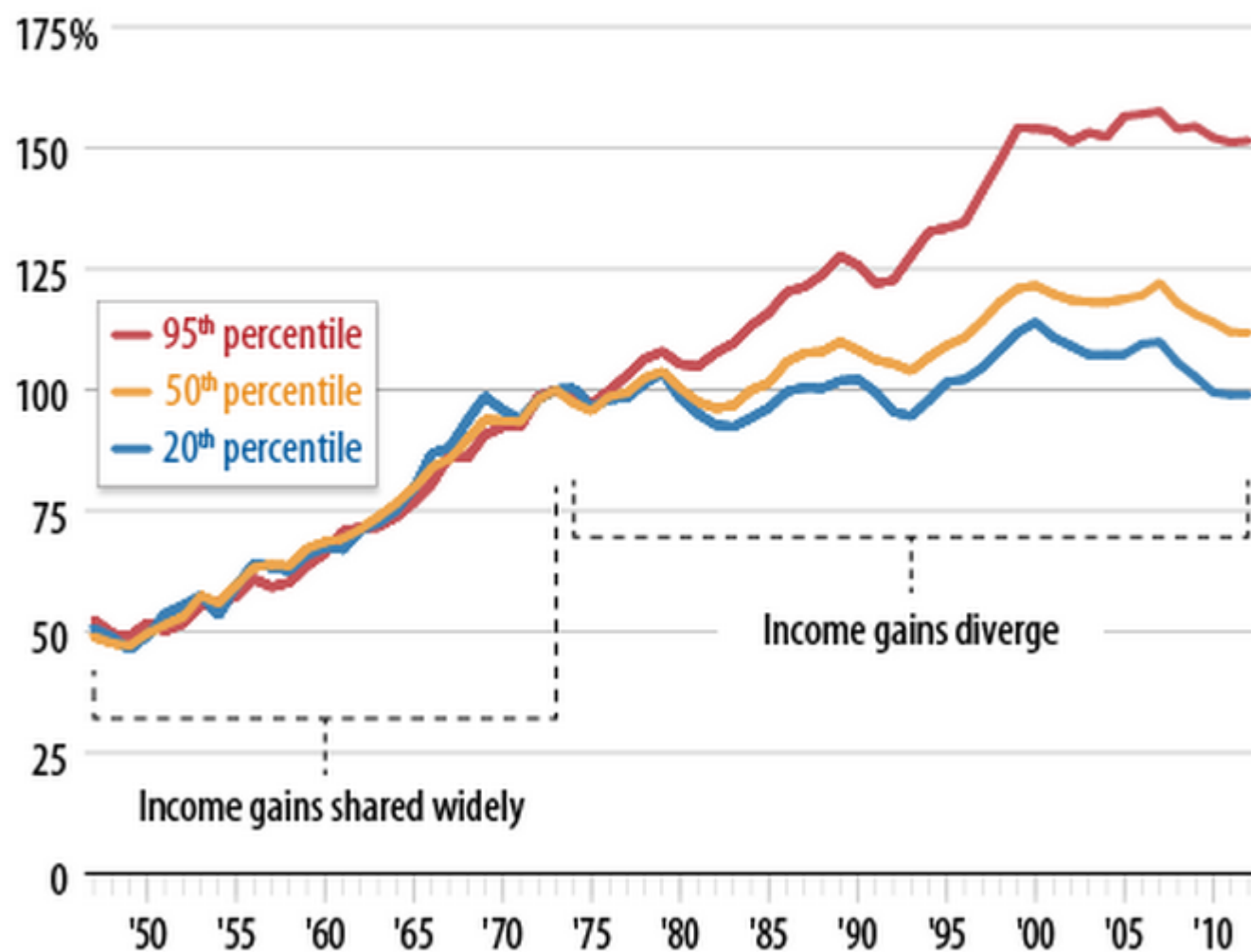
- **Growth in Wage Inequality.**
- **Government Policies.**
- **Expansion of Investment Income.**

Concentration of Capital Gains,
1979 and 2007



Income Gains Widely Shared in Early Postwar Decades— But Not Since Then

Real family income between 1947 and 2012, as percent of 1973 level



Source: CBPP calculations from U.S. Census Bureau data

Consequences of Rising Inequality

- **Economic Segregation.**
- **Political Disenfranchisement.**
- **Poor Health Outcomes.**

How Can Alabama Fight Income Inequality?

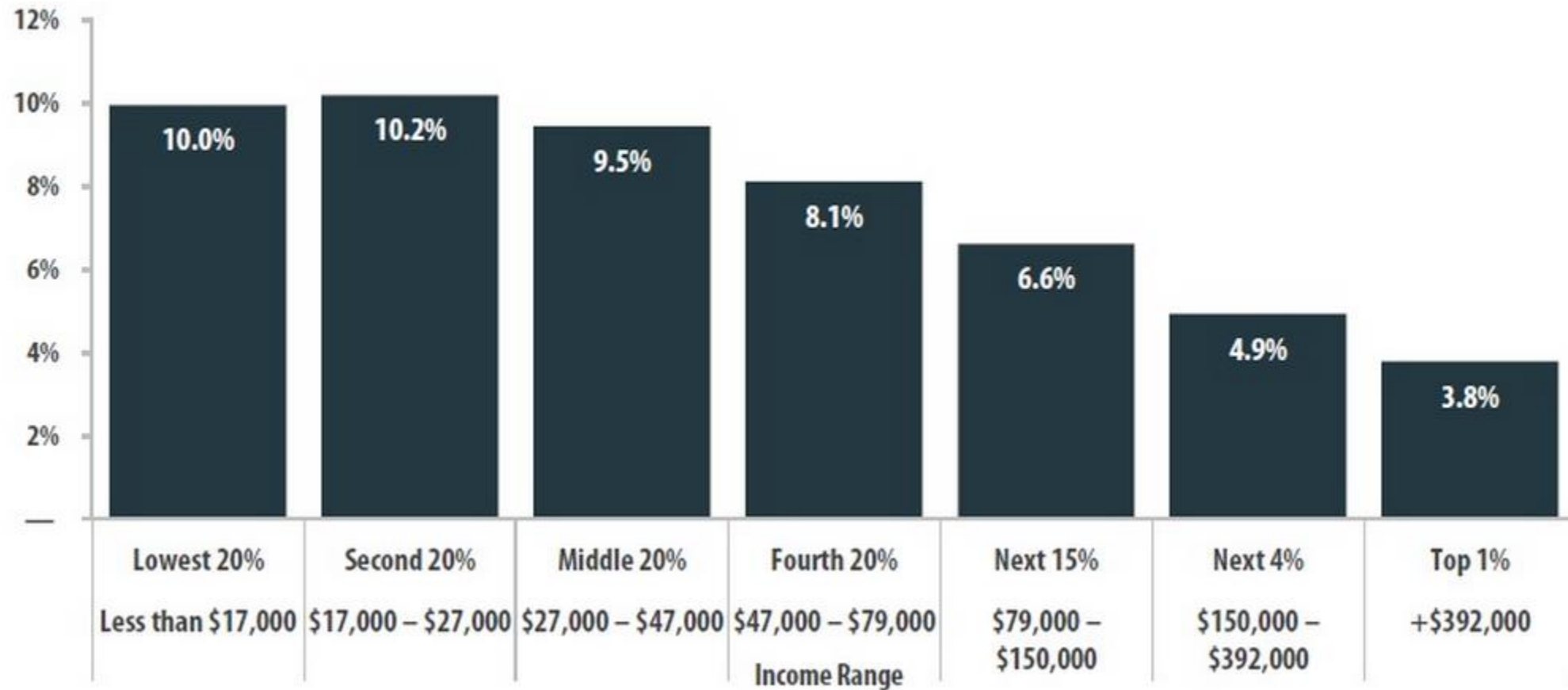
Policies to Fight Income Inequality

- **Raise the Minimum Wage.**
- **Bolster Progressive Taxes.**
- **Enact a State EITC.**
- **Strengthen the Safety Net.**

Alabama's Tax System Asks the Most of Low-Income Households

State & Local Taxes in 2015

Shares of family income for non-elderly taxpayers



Policies to Fight Income Inequality

- **Raise the Minimum Wage.**
- **Bolster Progressive Taxes.**
- **Enact a State EITC.**
- **Strengthen the Safety Net.**

Today's Discussion

- **Income Inequality is Very Real.**
- **It Has Significant Consequences.**
- **There Are Policies Available to Fight it.**

Questions?

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Themes to Discuss

- **People who work for a living ought to have a decent life.**
- **In America, every family should have good housing, nutrition, education, healthcare, and a secure retirement.**
- **We shouldn't trap people in poverty that often lasts or gets worse over generations.**