Gains From Economic Growth & Income Inequality in the U.S. 1922 – 2012
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What is a Social Contract & Does Income Distribution Matter?

- Societies only create sustainability through cooperation & commitment.
- The people forge collective vision, goals & policies balancing liberty & equity.
- Sharing in growth propels the able & disabled to contribute their best for all.
- Economies grow faster when societies lift up those in need: children, elderly, the ill & handicapped.
- Non-technical progress induced inequality hinders sustainable growth (Krugman).
- This story, briefly, scarily summarizes U.S. income inequality in the long run.

How to Measure Income Inequality.

- Income inequality is measured using the Lorenz Curve and Gini coefficient. American economist Max Otto Lorenz, born September 19, 1876 in Burlington Iowa developed his curve in 1905 to describe it.
- The hypotenuse of the Curve is referred to as the line of perfect equality, where percentage of population and income share are equal.
- In 1924 Italian statistician Corrado Gini derived the Gini coefficient using the Lorenz Curve. A coefficient of zero represents perfect equality, a coefficient of 1 indicates perfect inequality.
- The Gini coefficient equation is \( \frac{A}{(A+B)} \).
- Very unequal distributions = 0.00 – 0.30.
- Moderately unequal distributions = 0.35 – 0.49.
- Relatively equal distributions range = 0.20 – 0.35. (Todaro, 2005, p. 222)

Causes of Income Inequality?

- Technical/structural change has been the main cause, creates bias for matching-skilled labor.
- Investor preference (Blind) for non-human & rent-seeking capital investment. Culture-of-colonization in one form or another?
- Shifts away from goods production into service & low wage retail industries.
- Bottom 4 quintiles in U.S. haven’t seen real wage growth since 1972.
- Legislative and judicial systems advocate favor for donors & social auusterity, at almost any cost.
- Many say capitalism makes inequality inevitable.

In 1960 the richest 20% in the U.S. received 30% income share, or about 30 times that of the poorest 20%, by 1988 the richest 20% received 85% income share, or about 60 times the poorest 20% (Hackett, 2011).

- "Oxfam looked at how many of the world’s richest people would need to pool their resources to have as much wealth as the poorest 90 percent, and as of March 2014, it was just 8 people." (~)

References: