CONGRESSWOMAN CAROLYN B. MALONEY

Hearing of the Joint Economic Committee
Measuring Economic Inequality in the United States
Prepared Remarks
Congresswoman Carolyn B. Maloney, Vice Chair
October, 16, 2019

Last month, the Census Bureau reported that income inequality in the United States, by one measure, had reached its highest level since they began tracking it more than 50 years ago.

For the typical worker, wages have been stagnant for four decades.

On the other hand, those at the top are doing great.

The top 1 percent of households in the United States now take home about 20 percent of the total income.

The wealthiest 1 percent own nearly 40 percent of total wealth.

Those at the very top – the top one-tenth of one percent – have seen their share of wealth double since 1990.

That narrow sliver of the population – the top tenth of one percent – now own more than the bottom 80 percent of Americans.

One of our witnesses today, Dr. Gabriel Zucman, has done important work tracking these trends going back a century.

His most recent work looks at the role played by our tax system.

It is widely believed that our tax system is progressive – that the rich pay a larger percentage of their income in taxes.

However, Dr. Zucman's recent work reveals that in 2018 the wealthiest 400 Americans paid a lower tax rate than any other income group.

Sadly, this is not an accident – it is deliberate public policy.

In 2017, the Republican Congress and President Trump slashed taxes on the rich….
…. Borrowing $1.9 trillion to do it.

Inequality in America was already sky high.

The Republican tax cuts made it far worse.

Skyrocketing inequality undermines our middle-class society, in which anyone who works hard has a chance to succeed.

It means that for millions of Americans, the American dream may be a myth.

Our second witness, economist Heather Boushey, argues that high levels of inequality undermine economic growth…

….because strong growth depends in part on a strong middle class.

Consumer spending accounts for 70 percent of the U.S. economy.

But as a larger and larger share of income and wealth go to those at the top, there is less left over for everyone else.

As a result, most Americans have less money in their pockets, less to spend on what businesses sell.

Therefore, when the bottom 50 percent – those who consume a much larger share of income compared to those at the top – see no income growth for 40 years, that's a major problem.

Extreme inequality also undermines our communities.

The Chairman and I agree that healthy communities with strong "social capital" are critical to a high quality of life.

But extreme inequality undermines that.

When wealth is highly concentrated and in a society where education is critical to success, families have extremely high incentives to live in towns with other wealthy families, so they can put their children in the best school systems.

So, Americans increasingly become segregated by wealth and their quality of life becomes dependent on their zip code.

Extreme inequality also undermines our democratic institutions.

It enables the powerful to rig the rules – to make themselves even more powerful.

We see the erosion of antitrust laws, the breakdown of protections for small investors, the rejection of overtime protections for workers.

We pay a very high price for extreme inequality.

How bad is inequality in the United States?

Economists disagree about the severity of the problem.

But while they disagree about how much inequality has worsened in recent decades, there is little disagreement….

….things are getting worse.

One way that we measure the strength of our economy is by quarterly measures of gross domestic product. It is a good, aggregate number – it tells us how fast the whole economic "pie" is growing.

But the "slices" of the pie that go to the rich, middle class and poor are extremely unequal.

Unfortunately, we currently don't measure how economic growth is shared.

For this reason, I have introduced the *Measuring Real Income Growth Act*. And I'm pleased that Senator Heinrich is again introducing a companion bill in the Senate.

The bill would require the Bureau of Economic Analysis to report GDP growth by income decile and the top one percent alongside the topline number.

It will help us understand not just how fast the economy is growing but who is benefiting from that growth.

Academic economists, such as Dr. Zucman, have produced estimates similar to those we are asking for from BEA. But we need the government to do this is in a regular and timely manner.

Inequality is one of the most pressing issues of our day. It is tearing our society apart and undermining much of what we stand for.

In order to understand inequality, we must have better ways to measure it – ways that are accepted by those on both sides of the aisle.

With that information in hand, we can begin to restore our country to the land of opportunity.

###