>> Good evening. My name is Annette Lareau and I'm the President of the American Sociological Association. Thank you so much for coming today. We're thrilled to have this program to kick off the session. It's our first official moment of the 2014 Annual Meeting. The American Sociological Association has over 13,000 members and about one-half of them will be coming to San Francisco in the next few days and we're very excited to have you all here. The planning for this Annual Meeting actually began many moons ago and in the past year I've actually been impressed by how much work goes on behind the scenes as there is registering 6000 participants, putting 587 sessions in different rooms, arranging for Wi-Fi, etc., and I wanted to take a moment to express our deep appreciation for the entire A.S.A. staff, for their hard work and to recognize particularly the leadership of Sally Hillsman who is our Executive Officer and to say a special thank you to Corrine Caroline Jenkins who spent many evenings very late at night and worked extremely hard to produce this meeting from every detail from the little red flags to the registration. Please join me in thanking them. [APPLAUSE]

I'm going to introduce our panelists one at a time. But it gives me a special pleasure to have such a distinguished panel and the very first person I invited actually many moons ago was Emmanuel Saez who's an economist from University of California-Berkeley, who very graciously is spending his Friday evening by coming over to bunch of sociologists. Emmanuel Saez has many influential analyses of income and equality and wealth equality. If you read the New York Times of course you see his work often. He's a collaborator of course with Thomas Piketty who's been in the news a great deal lately. But among his many honors, Saez is a recipient of the very prestigious John Bates Clark medal from the American Economics Association. He's also receiving the MacArthur Award. His topic tonight is "Income in a Wealth Concentration." Please join me in welcoming Emmanuel Saez. [APPLAUSE]

>> Thank you. Thank you very much, Annette, for the introduction and the invitation. So I'm going to talk tonight about income and wealth concentration so we can go ahead and let's have

the slides on the screen. Thank you. So let me motivate the topic by saying a few things about measuring inequalities. So, first why do we social scientists care about inequality? So I think the best answer we can give is that inequality is important because the public cares about inequality. In other words, people live and rate their own situation and economic wellbeing by comparison with others in society. So there's got to be a sense of hidden truth to sociologists. It's not always as obvious for us economists, but I think this is really the important reason and therefore because the public cares about inequality, we social scientists want to illuminate the debate and therefore, we need to provide transparent inequality measures that is really our work will be useful if it can be understood, not only us, the professional researchers on inequality, but by the broader public. So that's why in today I will not show, you know, abstruse measures of inequality, but concentrate on very simple ways to think about inequality.

So let me start by introducing two key economy concepts we'll talk about tonight -- income and wealth. So income is a flow, so typically measured on an annual basis, how much did you earn this year and it's the sum of labor income which you get out of working and capital income. Or capital income is really the returns you get out of your wealth and therefore wealth is defined as a stock that is accumulated from savings and inheritances. So what are the basic economic facts about income and wealth? So labor income and aggregate is about 7% to 75% of total income. The rest, you know, 25-30% being capital income. The total wealth stock is about four times annual total income. And that, if you combine those numbers that gives you an annual rate of return on wealth of 6% to 7%, you know, accruals pre-tax; this is if you add $100 in wealth, you can hope to get $6 to $7 of capital income every year. And wealth inequality is always much higher than income inequality for a simple reason; about half of the population in pretty much any advanced society basically doesn't own anything and just lives out of labor income. So government taxes, you know, governments are big in advanced society. They tax about 1/3 of market incomes to fund transfers and public good and once, you know, you have your market income, you pay your taxes, you receive your transfers, you get what's called disposable income. But today I'm not going to talk about inequality and disposable income. I'm going to talk only about inequality in marketing companies before taxes and before government transfers and remember, you know, governments are big and they play a big role and disposable income is typically significantly less inequality than market income.

So one simple way to look at inequality or to measure inequality is to ask the question what share of total pre-tax market income goes to various groups in the population? So that's the top 10% of 1%. So with others and, of course, with Thomas Piketty who spearheaded those studies, we gathered numbers. We constructed series of top income shares across many countries using individual income tax statistics as the source. It is a great source to follow top incomes over long periods of time and it is the best source to capture the incomes that cannot be captured when in standard service. So about 25 countries have been analyzed so far. So this started with Thomas Piketty in the early 2,000's studying France so then I worked with Thomas Piketty and analyzed the case of the United States. So tonight I'm going to talk mostly about the numbers from the United States but as you can see on the world map, here in red are other countries that have been studied and they cover most of Europe, North America with some developing countries such as China and India as well.

Set's look at basic facts for the United States. So this chart shows you the share of total income that goes to the top 10% families from 1917 to 2012. So it looks like a big U with high levels of income concentration before World War II is the top 10% getting about 45% of total income, then a big drop mostly concentrated in the years of World War II, a much lower level of inequality for the decades following World War II with the top 10% getting about 33% of total income. And then, of course, what is really striking in this graph is the enormous increase that has been taking place since the late 1970's. So that by 2012, we are back at a level where the top 10% gets, you know, in 2012 just slightly above 50% and that's the highest number average. So that says, you know, the peak of 1928 just before the Great Depression.

Now, that's what happens to the top 10% that gauge, you know, from 33% to 50%. So the next graph splits the top 10% into three groups; the top 1% in black, the next 4% in blue and the next 5% in red. And so what is striking in that graph is that if you look at the recent period, really of the 17 point increase in the top 10%, most of it really comes from gains from the top 1% which grows from around 9% in the late 1970's to over 20% in recent years with much more modest increases for the next two groups. Okay? And the higher you go in the income distribution, the more extreme as the increase in income concentration. So this chart here shows you the share of income going to the top .1% so that would be the top of the line and it also shows you the composition of those top .1% income into labor salaries, so labor income, business income which is a mix of labor income and capital income, then pure capital income, and then realized capital gains. So what is striking on that chart is that in the early period, top earners were arriving, you know, the bulk of their income from wealth, okay. Most of those top incomes were capital incomes earned out of very large fortunes, probably fortunes that were inherited from the gilded ages and the industrial development of the United States.

When we see income inequality increasing in the recent decades, it is striking to see how much of an increase there is in the wage component. Really and actually when we started this with Thomas Piketty, you know, we stopped in 1999; it looked really like as if the working rich were replacing large owners of capital at the top of the distribution. That's less true, you know, 15 years later but it is important development because it changes the judgment you would have on top incomes. Do they deserve their incomes? The fact that they earned it, you know, to a significant extent probably changes the political economy of this enormous increase in income inequality.

Now, let me say a few things about wealth. So here this chart shows you recent numbers that combined with Gabrielle Zuckman on wealth and inequality over almost a century in the United States. So this chart shows the wealth share going to the bottom 90%. So you can think about that as middle class while knowing that the bottom 50% doesn't get pretty much any wealth. So it shows you the wealth share of 50 to 90 percentile and you have an inverted U-shape with a significant increase from 20% to 35%, you know, the building of middle-class wealth and over the last 25 years or so an erosion of middle-class wealth. That comes mostly from the fact that middle-class families have increased significantly, you know, their indebtedness. So the building of middle-class wealth comes from more home ownership and more pension. The value of homes has fallen in large part because those homes, you know, they are much bigger mortgages and that against those homes.

So now if you look at the top wealth shares, you get a U-shape so this is the share going to the top 1% wealth founders in the United States and you see it has that U-shape. The increase doesn't seem as extreme as for incomes; that is, you have a significant increase from 25% in the late 1970's, you know, to almost 40% in 2012, but the numbers still look somewhat lower than what they were, let's say just before the Great Depression where they reached 45%. However, if you look at the very top of the wealth distribution, it does look like the level of wealth concentration that has been reached in 2012, that is the top .1% here getting about 20%-plus of total wealth is about as high as it was in the 1920's. So one simple way to summarize those numbers is that perhaps the surge in income concentration was driven at first by working rich, you know, new people earning a lot, perhaps starting new businesses and they have indeed accumulated fortunes so that the U.S. society looks like it has a level of wealth concentration as high probable as it's ever been. Okay?

So this summarizes what I have said. Let me just say that the U.S., the last line on this slide, has now very high labor income and wealth concentrations. So how does the U.S.

compare with other countries? So using the database, we can do comparisons across countries. So here I'm showing you three countries, English-speaking countries; so the United States in black, the United Kingdom in red and Canada in blue. And so what is striking on that chart is how similar the time pattern has been for all three countries. The three of which, you know, experience a big U-shape and a significant increase in income concentration in recent decades. The U.K. and Canada have also seen a large increase in income concentration not as extreme as the United States, but still pretty significant.

So you might ask is this a universal phenomenon perhaps driven by globalization or changes in technology? However, this is not the case because let's look at three other countries coming from the continental Europe and Japan and here the pattern looks quite similar in the first part of the 20th Century. All three countries start with extremely high levels of income concentration. So you see this is the same scale I had before. So you do see that Sweden, for example, is really literally off the chart, so Sweden that is a very equal country today started a century ago with the enormous income inequality. But what's different on this one is that in recent decades, you don't see nearly as big of an increase in income concentration. From this comparison we can immediately say that globalization doesn't inevitably increase income concentration. It interacts with the regulations and the policies in each country and in some countries it's going to produce large increases in inequalities and in others, not so much.

Now if you look more systematically at the evidence, you will see that at least in the United States it's striking how the past follows closely political [INDISCERNIBLE]; namely, income concentration starts to fall with the Great Depression but then with the new deal policies, you know, progressive policies, development of progressive income, inheritance taxation and then World War II. And then when those policies start being dismantled, you know, and the regulation starts in the late 1970's, the reduction in tax progressivities really the 1980's with the Reagan Administration, that's when you see the increase in income concentration coming back and looking systematically at the data, it is striking to see that one factor really that seems to be driving or correlate the most closely with those development and income concentration is tax progressivity. So here is a chart that illustrates those results.

Here we look at 20 countries from the early 1960's to the 2000's and we look at how much the countries cut their top marginal tax rate which is a simple measure of progressivity. So you see you have extreme countries are the U.S. and the U.K., the Reagan and the Thatcher revolutions. That's a big element here. Cut their top tax rates by over 40 points. And then on the Y-axis we have the change in top 1% income share pre-tax again, you know, the numbers that I've shown you before and you can see that those dots are lined along a diagonal. Namely the countries that cut their top tax rate the most are the countries that experience the biggest increases in income concentration.

Another way to see it in the time series with the United States is to plot the top 1% income share that I've shown you before on the left Y-axis along with the path of the top marginal tax rate in red and that's with the right Y-axis. And you can see that the top marginal tax rates were extremely high from the 1930's up to the early 1980's and then came down with the Reagan Administration and after that they've stayed in that range 35 to 40. So today we are fighting a lot about whether the top tax rate should be 35 or 40. You know, that's the little bleep there is what you see, the 2013 increase. But you can see that those changes are very small compared to the enormous changes that have taken place throughout history. So what is striking in this graph is how inversely related are the two curves. The black is a big U like this. The red is an inverted U which is again evidence, you know, that a measure of tax progressivity really shapes powerfully the pre-tax income distribution.

Now, you may say perhaps that's a good thing to lower top tax rates and see incomes at the top grow. Okay? So the broader question is this really stimulating the economy and increasing economy growth? So if you look systematically across countries even though you see a very clear correlation here between cutting top marginal tax rates and a surge in top incomes, if you were to put overall economic growth on the Y-axis you wouldn't see much of a relationship. It doesn't prove it because many things affect growth, you know, besides the top marginal tax rates. But when we can say definitely, you know, that yes, cutting the top tax rates have boosted top incomes, it's much harder to make the case that they've boosted economic growth and actually, the U.S. is particularly striking if you look again at the time series. So what this graph does is that it shows you the path of income growth per adult in the top 1% in black and the bottom 99% in white diamonds. So everybody starts at 100 in 1913 and then, let's see how those incomes grow in real time over a century.

So in 2012 you are about 400. Indeed, there is economic growth and economic growth in the very long run lifts our books. However, what is striking in this figure is how different the time pattern of growth has been for the bottom 99% and the top 1%. So if we start in 1933, you can see that from 1933 to the late 1970's, the bottom 99% growth was actually fast while the top 1% growth was slow and that's precisely the time where those top tax rates are very high. And then starting in the late 1970's, you have an inversion in the pattern of growth with the bottom 99% growth slowing down significantly and as we've seen, the top 1% growth big -- very strong precisely at the time where the tax rates at the top come down. And so those numbers have gotten significant attention especially in recent years, because you can see that following the Great Recession, which is the big drop you see for both groups. In 2009 and after, you have a comeback of top 1% incomes while the last four dots, you know, four diamond points here are almost flat which is another way of saying that economic growth was really driven solidly by the top 1% with the bottom 99% income stagnated.

So let me conclude with a public policy implications. So as we know, U.S. finds itself with very high income and wealth concentration absent policy changes; that is, if we keep top tax rates in the modern rate; let's say, the modern rate range, wealth concentration is likely to keep increasing and we're likely to see a progressive shift from self-made wealth towards inherited wealth at the top. At least that's the thesis of Thomas Piketty and it's true that the pure economic forces are likely to drive this shift. Historically, progress even inheritance taxation is the powerful and proven to curb inequality. In historical record, that's very clear. Now, we don't see yet in the United States really strong support for progressive taxation so other panelists will discuss this in more detail. But two elements that are likely to shape in part views on tax progressivity is a perception that perhaps top 1% income gains do not benefit the 99% which seems clearer from the U.S. evidence. Second, the fact that top 1% in the future, perhaps we are not yet there, but definitely moving forward; more and more of the top 1% are going to come from inherited wealth. And that's why you know the book of Thomas Piketty had such a huge success. The U.S. society doesn't like the fact that the top earners didn't earn their wealth. Let me stop here. Thank you very much. [APPLAUSE]

>> Thank you. On the theme of wealth concentration and inequality around wealth and concentration, I'm pleased to introduce Melvin Oliver and Tom Shapiro. They've had really a wonderful collaboration with their work "Black Wealth, White Wealth." Among the many honors the book received, it won the C. Wright Mills Award of the Society for the Study of Social Problems. Melvin Oliver is very busy these days being a dean and he is the SAGE Sarah miller McCune Dean of Social Sciences and the Executive Dean of the College of Letters and Science as well as being the Professor of Sociology at University of California Santa Barbara. Thomas Shapiro is the Pokross Professor of Law and Social Policy. He's the Director of the Institute on Asset and Social Policy at the Heller School of Public Policy which is at Brandeis University. They will speak tonight on Black Wealth, White Wealth Revisited. Welcome. [APPLAUSE]

>> Thank you. That was a very sweeping tour that we heard from Emmanuel Saez and I want to jump in on that theme of inequality but I want to talk about it in a slightly different way. Inequality

in American society today is a toxic inequality. What I mean by that is that something really extraordinary about inequality in the U.S. has occurred and it's been a perfect storm where we've seen a heightened income inequality along with a heightened wealth inequality and this has occurred in the context of a demographic shift in our country. For example, in 2013, there were more non-white babies than white babies born in the U.S. Our demographers tell us that by the 2040's there will be a majority-minority country and no majority in the U.S. in terms of race. If we think about California where I'm from, Texas, Florida, and New York, you're seeing that happening even today. While demography is not destiny, it is an issue because our institutions are not built for nor have they accommodated this shift. Who are going to buy the homes of the white majority that form the core of their retirement? Who is going to pay into social security and Medicare so that the majority-dominated generation of today can retire and have some medical security?

We note that in some recent figures from the Social Security Commission, they show that 5.6 million undocumented workers are paying into Social Security with a net benefit of $122 to $240 billion. As one commentator notes, somebody ought to say thank you. The toxicity of our current levels of inequality is that it's become absolutely dysfunctional for our economy to our future ability to compete globally, to opportunities for families to move ahead, and to our sense of who we are as a nation. Toxic inequality poisons opportunity, innovation, and mobility. When Tom and I accomplished "Black Wealth/White Wealth," little did we expect the racial wealth gap to rise so dramatically. Got to push harder.

Here we see President Obama noting how that racial wealth gap has affected 50 years after the March on Washington. This is probably the sine qua non if what we mean by toxic inequality. And as we and other scholars have argued in multiple books and articles, particularly other sociologist, wealth is the main pillar of well-being and mobility. Whether it can be the schools or children attend, the quality of health care that we can afford, the houses we are able to buy, the benefits associated with work, the mobility opportunities that our children can take advantage of, all of these are crucially determined by the assets families are able to command. As sociologists we are all pleased that inequality has finally broken through and there's not a growing public conversation about it. Politicians, commentators, newspapers, advocates and even, as we noted here, a sitting president has commented upon it. Let me turn this over to Tom who provides some context and an understanding of the roots of the growing racial inequality and wealth that's the hallmark of this toxic inequality. Tom?

>> Thank you, Melvin, and hello, everybody. I want to start with a baseline. When we want to examine what are the financial resources, wealth in particular, among different racial and ethnic groups in the United States. So from a national representative sample, we have three pretty simple statistics and I don't even have a slide for this yet because they're pretty simple. The median white family has $113,000 in net worth. That includes their home equity. The median white family; half above, half below, $113,000. The median Hispanic family has $6,300 in comparison to that $113 for the typical or median white family and the median African-American family has $5,700. So to put that at a slightly different level, the African-American family in that survey tells us that the median African-American family has five cents in financial net wealth for every dollar of wealth that the typical median American white family has.

We take that as a baseline in many ways and the work that I and other colleagues at the Institute of Assets and Social Policy been delving into wanted to ask some questions that would dig into that particular set of a data and give us hopefully a better understanding. So the first question we wanted to ask was over a lifetime, over a generation, does that racial wealth gap where we saw the baseline, does that racial wealth gap narrow as some would theorize? Does it stay about the same or does it, in fact, widen? To get that kind of data, and the chart is up before you now, to get that kind of data, we looked at the Panel Study of Income Dynamics and it followed families from 1984 to 2011. The dollars are actually adjusted for 2009, excuse me on that one. And what we can see are a number of things. I would just like to underscore for the moment that the racial wealth gap in 1984 opens up at about $85,000. And it doesn't quite triple. It goes up two and a half times to $213,000, again in inflation-adjusted dollars by 27 years later following the same set of families. So perhaps something is happening. In American schools and American workplaces and families that are experiencing American tax policy and American social policy that might be driving this set of widening factors.

So second question we wanted to look at is the question of what, in fact, is driving the increase. That is, I think, incredibly important to ask because, as I go around the country and have the opportunity to do a lot of talking and read the comments on other people's work, it's almost amazing that the basic set of facts about the racial wealth gap is not contested. Nobody has ever said the data is wrong, I don't believe it. No. The contest is about the narrative. The contest is about why and it's essentially what I call the racial Rorschach test. Give somebody a simple piece of data and the mind will leap to their own embedded set of assumptions about why the racial inequality or why the racial wealth gap in this instance exists. So part of the work that we wanted to do was interrogate some of those narratives and to see if we could come forth with a more evidence-based understanding and explanation of the racial wealth gap and why it has been increasing over the last generation in particular.

Specifically, with the chart that's in front of you, what we wanted to analyze was not the two lines per se but we wanted to analyze the space between the lines. Why does that space grow? And through a typical, if you will, set of aggressions and other statistical means, what we were able to come up is that dynamics and for the moment, allow me to say somewhat vague, another slide is going to dig into this, dynamics around home ownership and the equity or the housing wealth that's created by home ownership accounts for about 28% of the differential rate of growth for white families and African-American families. Dynamics around income and the workplace, and I'll talk more about this subsequently as well, account for another 17%. College education, the returns of wealth from college education, not differences in education, account for another 6%. Dynamics around unemployment account for another 5% and here we have the capacities, since we're looking at families over 27 years, we could look at spells of unemployment and look at the length of unemployment, the frequency, the kind of work and wages and hours that people came back to.

And finally at least on this chart, we were able to look at financial support from inheritance and in this chart in our analysis it comes out to what I personally was a little unexpected to me, is about 4%. And I think the reason it looks somewhat small in comparison to other work like our colleagues at the Urban Institute whose figure is 12%, is that it's the same generation, the same set of families, so the ability to inherit more than once is really not very likely.

So let's talk a little bit about race and the structure of home equity in the United States. Through the great work of many sociologists, economists and others, we know there's a clear correlation between residential segregation and housing equity. The more homogenous in terms of income and race, especially if it's white, a community is, the higher the ceiling is for home equity and the more quickly that home equity rises. Inheritance, as we've learned already, needs to be unscored again. Inheritance provides, especially young families, first time home buyers in particular, down payments typically do not come out of savings accounts. Down payments typically these days in the United States and in many other countries come from financial assistance from parents. So we have to look back over generations and ask which groups in the United States have had more capacity to generate wealth and then the ability to pass it on to next generations? Larger up-fronts payments sometimes in terms of a larger down payment, lowers the lending cost, lowers the service fees and can also lower the interest rates as well. And just lastly, two other points quickly that help us understand why the housing dynamics are so important. The home ownership rate difference between whites and blacks is about 28%. And then we know from the last period of the foreclosure crisis and the Great Recession that subprime and predatory lending was much more likely to be targeted and impactful of communities of color.

And then, lastly, with home ownership one of my pet topics, and I hope it's not too arcane for people -- we talk about wealth and equality, as Emmanuel has started us thinking about already, we really do need to think about what I call the wealth budget of the United States government. The wealth budget of the United States government are provisions in the tax code that help families and individuals, not corporations, just talk about families and individuals, generate, maintain, and grow wealth. That budget amounts to about $400 billion a year. The primary legislation is around home mortgage interest deduction. Over a period of six years, the mortgage interest deduction saves or is in -- not quite literally -- but symbolically a check that the federal government writes so that people can buy their homes. They get the interest on their mortgage they pay back at the end of the year, if you will. Over a six year period, that accounts for $1.2 trillion and let's put that in a little perspective. And the perspective is that we spend about $35 to $38 billion a year on assistance for low-income families for their housing. We spend about five times that amount to help relatively well to do homeowners purchase homes, stay in their homes and grow wealth while all that is happening.

We want to go back to what we know are determinates or correlates of wealth in the United States. We know that work and income is important. We know that home ownership is important and we wanted to ask how do the returns in wealth differ or do they differ for the composition and growth of wealth in the African-American community compared to the growth of wealth in the white community? And what we see in the graph in front of you, is in fact the first row, is a pretty stark finding, I think and in a question period I can probably go into that a lot more deeply. But over the 27-year period where we followed the same set of families, every dollar increase in income resulted in about $5 in additional wealth for that median white family, median regression here. In contrast, a little under 70 cents in wealth was returned for the same one-dollar increase in income to African-American families. Inheritance was interesting in that it returned -- a dollar of inheritance returned nearly a dollar's worth of wealth for white families. Less than a quarter, 20 cents in wealth for the typical or median African-American family. But that relationship interestingly is reversed for family financial support. I think underlining and giving us a new dimension from the work around extended families and disadvantaged communities, scholars like Carol Stack and Kathleen Eden and others, I think this really underscores their work.

We wanted also to see what our capacity was to interrogate some of the dominant cultural narratives about racial inequality and the racial wealth gap in particular exists. So, excuse the language, but in the database, we hypothetically married off every single woman and asked what would the impact be on the wealth profile? And what we can see from this database, at least, is that among white women it is not statistically significant. Rather that it is statistically significant. In the African-American community, it is not. So as a colleague once said, "Tom, I guess you're saying that blacks cannot marry themselves out of the racial wealth gap," and I think that's one of the things, in fact, that it's saying. I you would like to turn the last few minutes of the presentation back to Melvin to try and wrap some of this up and provide a particular point of view that we've been working on.

>> Thank you, Tom. One of the things I noted was that the new conversation about inequality that's being proffered is really the consequence of a set of breakthroughs, of breakthrough events that have created the space for this conversation. All of these breakthrough events deserve our admiration and respect. They've helped to open up this conversation and we hope that they have the staying power not to allow the genie to be put back in the bottle. But our problem with these breakthrough events is that they enter either explicitly or implicitly leave out the dimension of race, which as Tom has shown, constitutes one of the most critical aspects of

the toxic inequality that we're now experiencing and that as we have suggested with our nation's changing demography cannot be ignored. Let me say a little about some of these breakthroughs. If you think about Occupy Wall Street, it focused on the 1% and their ability to set rules of the game to benefit themselves, to pull the ladder up with rules that were self-interested, but very little about race.

You're going to hear from Robert Reich, who has a brilliant discussion of inequality in his film "Inequality for All" that is engaging and compelling, yet we are disappointed by the lack of any discussion on wealth and most critically a silence on the sociology of wealth that places race at the center of the discussion. The unlikely bestseller "Capital in the 21st Century" which is data rich with much of that work done in collaboration we Emmanuel Saez and a tone setting volume in inequality generated by capital that has caused a very healthy debate. The kind of debate that we all wish our work would be about. However, we're disappointed again in the conversations about the book and the debate swirling around it in which race is not a central part of those conversations and debates. And finally, a wonderfully powerful YouTube video seen by over 15 million viewers that we want to play a small piece of that will give you a sense of that. Can we play it?

>> There's a chart I saw recently that I can't get out of my head. A Harvard business professor and economist asked more than 5,000 Americans how they thought wealth was distributed in the United States. This is what they said they thought it was. Dividing the country into five rough groups of the top, bottom, and middle three 20% groups, they asked people how they thought the wealth in this country was divided. Then he asked them what they thought was the ideal distribution and 92%, that's at least nine out of 10 of them, said it should be more like this. In other words, more equitable than they think it is. Now that fact is telling admittedly; the notion that most Americans know that the system is already skewed unfairly. But what's most

interesting to me is the reality compared to our perception. The ideal is as far removed from our perception of reality as the actual distribution is from what we think exists in this country.

So ignore the ideal for a moment. Here's what we think it is again and here is the actual distribution, shockingly skewed. Not only do the bottom 20% and the next 20%, the bottom 40% of Americans barely have any of the wealth. I mean it's hard to see them on the chart. But the top 1% has more of the country's wealth than nine out of 10 Americans believe the entire top 20% should have. Mind blowing. But let's look at it another way because I find this chart kind of difficult to wrap my head around. Instead, let's reduce the 311 million Americans to just a representative 100 people. Make it simple. Here they are. Teachers, coaches, firefighters, construction workers, engineers, doctors, lawyers, some investment bankers, a C.E.O., maybe a celebrity or two. Now let's line them up according to their wealth. Poorest people on the left, wealthiest on the right, just a steady row of folks based on their net worth. We'll color code them like we did before based on which 20% quintile they fall into. Now, let's reduce the total wealth of the United States, which was roughly $54 trillion in 2009 to this symbolic pile of cash and let's distribute it among our 100 Americans. Well, here's socialism, all the wealth of the country distributed equally. We all know that won't work. We need to encourage people to work and work hard to achieve that good ol' American dream and keep our country moving forward.

So here's that ideal we asked everyone about, something like this curve. This isn't too bad. We've got some incentive as the wealthiest folks are now about 10 to 20 times better off than the poorest Americans. But hey, even the poor folks aren't actually poor since the poverty line has stayed almost entirely off the chart. We have a super healthy middle class with a smooth transition into wealth and yes, Republicans and Democrats alike chose this curve. Nine out of 10 people, 92%, said this was a nice ideal distribution of America's wealth. But let's move on.

This is what people think America's wealth distribution actually looks like. Not as equitable clearly, but for me even this still looks pretty great. Yes, the poorest 20 to 30% are starting to suffer quite a lot compared to the ideal and the middle class are certainly struggling more than they were while the rich and wealthy are making roughly a hundred times that of the poorest Americans and about 10 times that of the still healthy middle class. Sadly, this isn't even close to the reality. Here is the actual distribution of wealth in America. The poorest Americans don't even register. They're down to pocket change and the middle class is barely distinguishable from the poor. In fact, even the rich between the top 10 and 20 percentile are worse off. Only the top 10% are better off. And how much better off? So much better off that the top 2% to 5% are actually off the chart at this scale. And the top 1%, this guy? Well, his stack of money stretches 10 times higher than we can show. Here's a stack of cash restacked all by itself. This is the top 1% we've been hearing so much about. So much green in his pockets that I have to give him a whole new column of his own because he won't fit on my chart. One percent of America has 40% of all the nation's wealth. The bottom 80%? Eight out of every 10 people or 80 out of these 100 only has 7% between them.

>> As you can see, this is accessible and very powerful. But if you look at the rest of the video, once again, the racial dimensions are nowhere to be seen or heard. Why is this important? This is important because the analysis will be misleading without due consideration of race and the resulting solutions will leave the structuring of racial inequality along racial lines untouched. Toxic inequality cannot be addressed without understanding the intersection of rising inequality and race. We fail to do so at great risk to our nation and its people. Thank you. [APPLAUSE]

>> So we're going to switch gears a little bit and think more about politics now and Leslie McCall is speaking tonight about how Americans think politically about economic inequality. She's a Professor Sociology at Northwestern University. When the A.S.A. Program Committee was meeting, we had a larger number of books for the Author Makes Critics than normal. We have

20 books. But we had fierce competition. We had over 500 sociology books which were published on a huge Excel sheet that had them all listed on them and so the competition was fierce. But her book had the honor of being selected. Her book is The "Undeserving Rich: American's Belief about Inequality, Opportunity and Redistribution and the Author Makes Critics session will be at A.S.A tomorrow afternoon at 2:30 p.m. Leslie McCall.

>> Thanks very much, Annette. I want to make sure I have got the mic right here. Yeah, so in the program I omitted the word politically from the title. So I am going to shift gears a little bit and focus my talk tonight on the political discourse of inequality and by that I mean policy preferences related to inequality, as well as broader political and economic strategies to reduce inequality.

But before I get to that, the political implications and discourses of inequality, what I want to do in the first part of the talk is provide what I think is needed as background to discussing the political discourse of inequality. And then some background on beliefs about economic opportunity and inequality, and that is going to constitute the first part of my talk. We have heard a little bit about that already, but I'm going to go in, I hope, into much greater detail and reveal some things that I think maybe are not so well known. In both parts I am going to be drawing on a number of data sources and from projects with a number of collaborators and students. The primary data -- I'm going to mention them now and I won't be mentioning them as I go through the data -- the primary data set is the GSS and the ISSP. It's the only data set that has repeated questions over time on inequality, opportunity, and social policy preferences. I am also going to be drawing from analyses of data from a representative pilot survey of the top one percenters in the Chicagoland area, conducted by Benjamin Paige who's a Political Scientist at Northwestern. The third major source of data, particular for part two, comes from survey experiments and new survey questions that I'm developing with a number of collaborators in the U.S. and abroad. And finally I am going to present some data from various public opinion polls throughout the talk.

Okay, so let's begin with part one, beliefs about inequality and opportunity. In this first chart we see that roughly two-thirds of Americans today express critical attitudes toward inequality by agreeing or strongly agreeing that income differences are too large. Desires for less inequality are also consistently high over time suggesting that opposition to inequality is not fundamentally a response to episodes such as the Occupy Wall Street movement or President Obama's highlighting of the issue in the late months of 2011. Nonetheless, critical attitudes do shift over time in revealing ways. The gray and blue lines here in this chart show that agreement and strong agreement to two more specific questions about income disparities are substantial, standing today at 55% and 65%. This is agreement to questions that inequality continues to exist because it benefits the rich and powerful and that large income differences are not necessary for prosperity. So strong agreement and agreement to these two questions exhibit a clear peak in the early and mid-1990's and again in the most recent survey year of 2012 relative to the base year of 1987 and also relative to different concerns in the year 2000. Moreover, these peaks and concerns about inequality are strongly significant after controlling for a large number of compositional and political shifts such as polarization and partisan views as shown in this next chart. The outcome here is measured as an average of all three questions scaled from zero to one. On the left are gross year effects in a model with no controls, and on the right are year effects with controls and interaction effects for things like changes in the intensity of partisan views about inequality over time. Both show significant increases above zero in the early and middle 1990's and again in 2012 relative to the base year of 1987, although I am just highlighting here the effects of 2012 relative to 1987.

Now in my book I have looked closely at the correlates of these peaks in the 90's and today, and they can be attributed to a number of very commonly cited factors such as the trend in actual inequality itself or in the business cycle. For instance, concerns about inequality rise during the initial years of recovery from a recession in the mid-1990's and in 2012 -- I am going to back up for a moment so you can see the full trend here. Okay? So concerns on inequality rise occurring the initial years of recovery from a recession in the mid-1990's and in 2012. And this is the case even though public opinion data clearly shows that Americans recognize that the economy is improving. Note also that concerns about inequality subside during the boom years of the late 1990's, despite the fact that measures of inequality continue to rise. So taking all of these facts and other evidence into account, I suggest that the peaks of concern emerge with perceptions of the negative consequences of inequality, specifically its practical impact on economic opportunity rather than with perceptions of the extreme level of inequality itself. Put somewhat differently, what I'm suggesting is that if the economy were doing well today for everyone, concerns would decline despite what some consider to be stratospheric levels of inequality. And I'm going to return to this key point in a moment.

So turning to the topic of disparities in pay rather than income, public opinion polls since at least 1970's show that well over two-thirds of Americans think that CEO's are overpaid. By contrast, other polls not shown here indicate that many mid and low-level occupations are considered underpaid. Americans also generally are aware of one, the rise in executive pay; two, the stagnation of worker pay; and three, the widening of pay disparities. The median estimate of pay inequality between executives and workers more than doubles from 13 to 1 in 2000 to 32 to 1 in 2010 and this is shown on the far left of this chart in the red solid bars. Although these ratios significantly understate the dramatic increase in pay inequality, the median desired ratio which is shown in the middle of the chart in red hash bars is remarkably low. It is 4 to1 in 2000 and 7 to 1 in 2010. This desired ratio among the public is dwarfed by the median desired ratio that we calculated for the top 1%, which is 50 to 1 and that's shown on far right side of the chart with a different -- notice the different Y-axis on the right than on the left. So it's also interesting to note that the affluent endorse a substantially lower level of pay inequality than exists.

What about economic opportunity? This is the issue that is supposed to anchor faith in the American dream of upward mobility and foster tolerance of income inequality. On the one hand as this graph shows with the U.S. in solid red at the far left of each group of bars and the top 1% in the black hash bars in the middle of each group of bars, over 90% of Americans including the top 1% do indeed believe that hard work is essential or very important in getting ahead. This is predictably greater than the median among advanced industrial countries from the ISSP which is shown in red hash bars at 73%. On the other hand, there is a little-known counter veiling tendency. Americans are generally as or more likely to believe in social factors and getting head, such as having well educated parents, coming from a wealthy family, and knowing the right people. The American public at large is also at least twice as likely to express these views as are the top one percenters. In fact, only 1% of the top one percenters said that coming from a wealthy family was very important whereas 31% of the public did. And I checked to see what their backgrounds were and they came from very wealth backgrounds.

Finally, regarding beliefs about economic opportunity, the degree to which people are satisfied with "the opportunity for a person in this nation to get ahead by working hard" has been falling for the last decade from 76% in 2001 to 53% in 2012. So to sum up this part of the talk, most Americans desire less inequality and have so for at least a quarter of a century. By some measure intolerance of inequality is increasing and is significantly higher today than it was 25 years ago after controlling for many factors. Many Americans recognize the social barriers to opportunity are important, even more so than in similar countries and much more so than the top 1%. And by some measures, such perceptions of limited opportunities that have increased over the past decade. I provide additional evidence in my book and our new survey experiments are confirming this evidence, that concerns about restricted opportunities are related to the desires for less inequality leading to what we're calling the opportunity model of beliefs about inequality.

That is, the concerns about economic inequality are heightened by perceptions of inequitable growth, the top seeming to gain at the expense of the rest of the society jeopardizing the American dream of shared prosperity. What matters are the perceived consequences of economic opportunity and not the absolute levels of inequality per se.

Okay, so what are the political implications? I begin with a simple premise and a few starting points. The premise is that political discourses of inequality today are fragmented and evolving. The starting points are that we ought to derive our politics inductively from public views such as those outlined in the opportunity model and from public action such as minimum wage campaigns rather than deductively from the two dominant redistributive models and elite partisan approaches that embed these models. The first and more conservative model is that economic growth is all that is needed to address current economic insecurities On the one hand, the prescription of economic growth is reassuring to the public in its emphasis on creating precisely the kinds of job opportunities required to achieve the American dream and also fueled post-World War II prosperity. On the other hand, a prescription of economic growth alone does little to correct the skew of good job opportunities toward the top, in the post-World War II era or other own era. The second and more liberal model espoused by most Democratics and welfare state advocates focuses on increased taxes on the wealthy as the main way to address current economic insecurities.

On the one hand, this prescription of increased taxes on the wealthy is reassuring to the public in its emphasis on diverting funds from those who do not need them to those who do. But on the other hand there's a transparency problem. Exactly how are higher taxes on the rich going to translate into greater educational and job opportunities for the rest of the population? On the basis of what history are Americans to put their trust in taxing the rich as the solution to declining opportunities. While in principle, popular support for progressive taxes is often fairly high, above the 50% mark, such support is actually fickle in the moment. When it comes to specific pieces of legislation as Larry Bartels has argued, the benefits are often not very clearly conveyed to the public. Turning to the second starting point here and following from the first, I think what we need to do is develop a more comprehensive and pragmatic, rather than ideological definition of the politics of redistribution and I'm going to focus on two things that are missing from the dominant models, labor market redistribution and education.

So first, labor market redistribution. This simply remembers to any action that reduces disparities in pay and earnings in the labor market. Widely discussed examples are unions and the minimum wage. As the list on this slide indicates, there have ever been efforts in recent years on both these and related fronts to lift the bottom of the distribution. However, in an era of soaring executive pay and stock market returns and keeping in mind the public's desire for radically reduced executive pay, there are plenty of other strategies to redistribute earnings from the top to the rest. From binding, say on executive pay laws in Switzerland, and EU limits on banker bonuses to the disclosure of executive to median pay ratios in the U.S. as stipulated by Dodd-Frank employee stock ownership plans and so on. The specifics are important. What I'm trying to argue here as economic sociologists will recognize is that we need a reintroduction of or these examples signify a reintroduction of what are called equity norms in the corporation. That is, the need to engage in the politics of redistribution within the private sector, the increasingly dominant private sector as indicated in this quote by Sally Bount who's the Dean of the Kellogg School of Management. Now I don't want to appear overly optimistic or naive, but in exclusive capitalism that benefits the middle class as well as the upper class implies a rejection of the notion that economic growth is sufficient to reduce inequality; that is equitable growth is what's required.

At a recent conference, for example, Chrystia Freeland, an influential financial journalist, went so far as to say that inclusive capitalism is like what charter schools were a generation ago to the policy-oriented business community though I'm not so sure that is a good thing considering what's happened with charter schools. So that's labor market redistribution. A second theme that has been missing from the dominant models of income distribution, but is emerging in the everyday politics of redistribution is education. Again, well before the Occupy Wall Street movement and well before Bill de Blasio's populous anti-inequality mayoral campaign, several states such as Oregon passed measures to raise taxes on the affluent in order to fund popular services such as education, health care, and public safety. The measures highlight the trade-off of taxes for opportunity enhancing programs. Other examples along these lines include so-called social investment and social inclusion initiatives in Europe. Critically, these strategies include wage progression targets for low income adults, and not just education initiatives for low income children. Wages for adults are as much or as important a part of the opportunity agenda and the social inclusion agenda as our educational initiatives for the low income children.

So if we return to our starting points with public views and actions in mind, we can revise and expand current redistributive models, moving from economic growth to equitable growth which requires labor market redistribution as an objective. And from generic taxes and spending models of redistribution to what I call taxing for opportunity models that explicitly incorporate educational opportunity into the political discourse of inequality. The emphasis here is on reducing economic inequality as a necessary instrument to enhancing educational and labor market opportunities. This is almost directly analogous to the emphasis on reducing racial and gender earnings equalities as an equal opportunity strategy of the civil rights movement. In short, the politics of class inequality today can learn a lot from the politics of racial, and gender inequality and indeed must begin to incorporate these moments into its own so I'm echoing here Melvin Oliver's points.

So I'm going to draw to a conclusion by just running through a sort of tiny selection of data. There is actually a substantial record of popular support for some of the new directions in redistributive politics that I have just laid out. First we can see evidence of the opportunity model in trends and policy preferences over the same period in which we saw the increases in critical views of inequality earlier. In research with Lane Kenworthy, we show that most traditional redistributive policies of tax and transfer income have not risen in support at the same time that concerns about inequality have risen. Anything at or below the horizontal line in the chart on the right indicates no change or decrease in the support relative to 1987 controlling for a wide range of factors. However, the only policy that we find that has enjoyed consistent support over time's increased spending on education. Moreover, this issue is now significantly tied to beliefs about inequality, whereas it was not tied to beliefs about inequality at the beginning of the period in 1987. If we look further back than 1987, we find an even greater increase in support for educational programs over time. So that's education.

Let me talk about support for businesses role in reducing labor market inequality. Here we have the conventional GSS question that probes support for governmental redistribution of income by raising taxes on the wealthy and providing assistance to the poor. What we have done is introduced a new question that replicates the conventional question. But what we did was we replaced references to the government with references to major companies, and we replaced references to taxes on the wealthy and assistance to the poor with references to reducing executive pay and raising unskilled worker pay. And what we find is presented in this chart. We have the results from the 2012 GSS survey for the question about government redistribution; that's in solid red bars. The results from our recent [SOUNDS LIKE] MTURK survey about government redistribution of income; that's in the black hash bars and from the MTURK survey, businesses role in redistributing pay; that's in the red hash bars. The results are broken down by partisanship because the MTURK data are not representative. Nonetheless, we saw that the results from the MTURK survey are comparable to those from the GSS for Republicans and not too far off for independents. So, for example, in 2012 in the GSS, 28% of

Republicans supported government redistribution, and in an MTURK study in 2014, 26% supported government redistribution. So we can get a reasonable estimate from the MTURK data on public views on the role of major companies in reducing pay disparities. And what we see is that business action is favored above government action by both Republicans and independents and favored at about the same high level as government action by Democrats. So we're looking at 62% among independents and 41% among Republicans saying that business has the greatest responsibility in reducing pay disparities.

This is the last chart. Also in the MTURK survey, we asked a forced choice question about who has the greatest responsibility for reducing income differences. The choices were low income individuals themselves -- they should be making efforts, working harder, that sort of thing to increase their earnings, private charities, high income individuals themselves, government or major companies. Respondents could also select an option at the end indicating that income differences do not need to be reduced. And this is shown on the far left in the solid gray bar. And as you see among Republicans, only 18% say that income differences do not need to be reduced, and only 9% among independents say that income differences do not need to be reduced. And so except for this last option, all the other response categories were randomly ordered across surveys. And what we found is that for both Republicans and independents, major companies were viewed as having the greatest responsibility for reducing inequality.

So to conclude, the absence of political and economic innovation and leadership especially is the primary obstacle to reducing inequality, not public views or public ignorance, for example, about the scale of inequality. The politics and economics of reducing inequality are not straightforward. I'm not arguing they are straightforward or conflict-free, but with public support, the politics of reducing inequality can reach beyond conventional strategies. [APPLAUSE]

>> Well, we've have had three great papers. We have a discussion. Thompson DiPrete is the Giddings Professor of Sociology at Columbia University. He's the co-director of Center for the Study of Wealth and Inequality at Columbia and he's a faculty member in the Columbia Population Research Center. His book with Claudia Buckman is also the subject of an Author Meets Critics. It is the "Rise of Women" and the session will be on Monday at 4:30. Tom. [APPLAUSE]

>> Okay, well, there were so many good and important things that were said in the last few papers, I couldn't hope to cover all of them, and I am not going to try. I am just going to make a couple of comments here on just a couple of issues on the different papers. First on Emmanuel's paper, the findings are extremely important. The issue that I think I wanted to raise a question about which is a fascinating slide that showed the correlation between inequality and the change in marginal tax rates. And it raises the question as to whether these tax changes are a principal cause of the rise in top incomes, and then if they are, there is a question of what mechanism would be producing their causal force? And the argument for why lower marginal tax rates would raise inequality, it's like some have argued that lower marginal rates give executives a greater incentive for to push for higher compensation because they get to keep more of it. You know, that's out there in the literature. That kind of explanation doesn't strike me as plausible. What strikes me as more plausible is that lower marginal tax rates are a manifestation of a broader strengthening of elite and especially corporate power and a corresponding strengthening of conservative power including support from groups like Evangelical Christians or middle age or older whites, especially while males, in this country who are not themselves elite. And it's arguably that this stronger conservative voice produced an ideological justification for financial conceptions of the firm that emphasize rising shareholder

value as the preeminent goal that identified high executive salaries, they identified them with high stock prices, and therefore see them as a good.

And the diminished strength of an egalitarian norms also leads to rising incomes by other members of the elite including movie stars, actors, top athletes, top college and professional coaches of big money sports, hedge fund managers, private equity managers, university presidents, and so forth. And all these gains lead to strengthening justifications that extremely high compensation for elite workers is somehow natural and justified by their performance which makes it more difficult to overcome opposition to further gains and the decline in the political power of labor unions and other institutions on the left all contribute to this. So I think that these declining marginal tax rates in the countries that have the highest inequality are symptomatic of a broader set of events that we understand to some extent, but there's a lot more that we need to know. And I also have a question, which is the extent to which developments in one country are having an impact on what is going on in other countries. I mean we know that labor market developments in one country can affect other countries to the extent that the labor market is global, but I think so much of this is political, and I think it is an interesting question as to whether there is political spillover of events in some countries, most especially the United States, on some of the other countries that were in the graph. So that's my comment on that very important paper.

On Melvin Oliver and Tom Schapiro's very important discussion of the large wealth gap between blacks and whites, they discuss how it's grown in the past decade. They discussed the fact that to produce this gap and in particular, you know, Tom put this regression decomposition that found that years of home ownership was the variable that accounts for the largest share of the race gap, followed by household income, unemployment, and then college education. So I guess one question I had, a slightly technical comment, which is just that when you are comparing two groups, there's two different factors that can jointly account for the differences in this case in wealth. One has to do with sort of the quantities of resources, like the amount of home ownership and number of years of home ownership or the quantity of education and so forth. But the other has to do with the returns to these resources. And I think it would be interesting to know more about this because black homes are not worth as much as white homes. And so I think that some of this difference that we see is coming not from home ownership per se, but it's coming from the different value of homes in the black and white communities. So I think some discussion about the importance of the quantities and the importance of their returns to these quantities would be worth getting into.

The other comment that I wanted to make has to do with a question of what is causing these differences. And of course this is a very complex question. Home ownership -- to buy a home, one needs money. The money might come from parents or the like, but a lot of money comes from the labor market, and a lot of labor market money comes from education. And so I think there is a kind of cascading effect that I saw in this regression that is sort of accumulating to lead to this large wealth gap. Of course the causal questions are always much harder than the descriptive questions. But the fact that that home ownership line was so big, I think we shouldn't ignore the crucial impact of the labor market and education that are to some extent important root causes of this wealth gap. And in that context, the question that I have, which is a difficult one to answer, which is what does one do about this wealth gap? How does one close it? If I had to make my bet on one of the items, I would say improve the labor market as the thing that might sort of get things started, which isn't to say there shouldn't be policies that are directed toward all of the factors that Melvin and Tom talked about.

So then comments on Leslie's very interesting presentation. We are living in a very polarized society right now. And I think that the thing that is really striking about Leslie's presentation is identifying a certain level of consensus about important aspects of American society, in particular, the problems that we have. There is a consensus on too much inequality, stagnant income growth, limited opportunity for social mobility. And I think there is also a consensus on dysfunctional government even though I don't know if that was in all the slides. But, and I think this is a big but, and this is in some sense what troubles me, not about Leslie's presentation but about the mess we are all in these days, is that there is more consensus about what is wrong than there is about what steps should be taken to fix it. Indeed, while left wing populism, seasoned right wing government is a needed way to corporate power, right wing populism and indeed much of the political middle seems unable to find an actor or actors who can address the problems of inequality, inadequate opportunity and anemic growth and living standards.

Leslie shows not only that there is little love lost for large corporations, but also that Americans see corporations as needing to take responsibility for raising middle-class incomes and reducing inequality. Others have shown that Americans hold the major financial institutions as largely responsible for the financial crisis that triggered the very deep recession that we are really not out of yet. At the same time, however, there seems to be no consensus on empowerment strategies for fixing the problems. A large share of the American population has become convinced that government action makes things worse. And a significant number of Americans on the right of the spectrum thinks that government actions including taxation are the reasons for inadequate opportunity. They also believe that labor unions make things worse; that is, they're just another special interest along with public sector workers, immigrants, minorities, liberals, etc., we all know the litany. All the strategies seem to be strategies for social interests from the perspective of too many people in this country. The American public doesn't have a consensus about implementable strategies that would benefit the general interest or even the bottom 99% which is like not everybody, but most of us.

So for example, the public's thinking that corporations should take responsibility for lowering inequality isn't empowering. If the public doesn't support strategies to pressure corporations to take responsibility, whether through government regulation, or labor organizing, or consumer organizing, or community organizing. Similar thinking that the financial markets operate as a special interest isn't empowering if the public doesn't reach a consensus about how to pressure the financial sector to work for the general interests. Or thinking back to Obama's first election as President, thinking that the health system is broken which most people did at that point and needing fixing. That is not empowering if the public doesn't reach a consensus on reforms that'll improve health care for Americans in general.

The public needs to be convinced not only that collective solutions and in particular, government regulation or infrastructure investment can work, it'd be worth their cause to tax dollars, but that these solutions will provide them, will provide them with greater opportunity and a better life and not someone else, which seems to be the concern of so many of the people in this country which I think is at the bottom of a lot of the polarization. And whether public opinion can move the country away from this polarization some perspective to a consensual progressive positive suborientation where either because of government programs, or local activism or economic growth, the tide begins rising and lifts most of our boats, it remains to be seen and it's an important issue because my general sense right now is that this extreme polarization is not a favorable environment for progressive policies. And so I think we need to be doing research to make sense of how consensus can be built around the solving of the problems that there seems consensus exist in the country. [APPLAUSE]

>> Well, great. So we have time for discussion and questions. But let me begin by seeing if the panelists want to reply. Leslie, do you want to talk?

>> Sure. Yeah, no, I think that is precisely the point that I was trying to make in the last slide, which is that I think the public a ready and willing but actually hasn't been presented with the

kinds of policies that would lead to equitable growth that are spearheaded by the kinds of institutions that are trusted such as corporations. I would turn around what you said and say that that is an absence of leadership rather than an absence of the public being convinced because the public actually isn't being presented with options by political or economic leaders that are focused on issues of labor market redistribution. Absent certain issues such as unions and now things like minimum wages are extremely popular. Living wage campaigns are extremely popular. The ballot measures at the state level in which taxes are raised on the wealthy for explicit quid pro quo for education, health care, and public safety.

So I think there's plenty of evidence that when there are clear options put forward in which the government either raises taxes to provide popular services or for regulatory reform, then the public is quite supportive. And so I would turn that around and say that that is really an issue of the lack of political and economic leadership. Not to diminish polarization though.

>> And what about this issue -- Tom and Melvin, do you want to talk about the policies to close the racial gap?

>> Sure. Let me take a few minutes. First of all, thank you, Tom, for the thoughtful comments in there. There is certainly always a lot to think about, especially around these issues of causation. I have been very fortunate the last decade or so to be involved in some national movements around closing the racial wealth gap. So I hope what I'm about to say is taken not just as something coming out of the fountain of my head, but something that things that are actually percolating out there at different levels. I would say three things. First, stop the harm. Find those areas where policy is actively, today, yesterday and tomorrow if nothing changes, widening the racial wealth gap. And a prime area is the mortgage interest deduction. Not only does it have the income and the class distributional impact of 72% going to the top wealthiest 20%, but if one crudely looks at it, because the data doesn't allow us to do anything other than crudely look at it,

African-Americans leave on the table, because they do not benefit for a lot of reasons from the home mortgage interest deduction, they leave on the table about $75 billion over the six-year period I was talking about. So part of the gap, a huge part of the gap, is taken up there.

Home ownership for Middle America is by far the largest part of their wealth portfolio. That is some of the reason that we talk about it. So first stop the harm. Tax policy is a pretty good area to start with, and some of those are percolating in Washington and state capitols. Second, long-term, much more structural because it is a tougher road to move down. Think about how to remove the benefits that living in a relatively homogeneously residentially segregated community provides for families. Remove the benefit of higher resources for their schools. Remove the benefit of cleaner water, of better environmental conditions; that is, policies that make those more democratic for all communities. If that is done, theoretically, that removes the value that is artificially placed on moving into those communities and the benefits.

And then third, at the moment, much more practical at the state level, at the community level, at the city level, and even at the national level, children's savings accounts are being enacted in places that most of us would think would be pretty unlikely; Oklahoma, Nevada, Maine. Not exactly the top of your progressive states. All three of those have state-wide children's savings accounts meant to fill the hole between the rising cost of college education and the lack of ability of families to pay for it. Now they are not nearly anywhere near scale, but they are there. The city that we are in, San Francisco, has something called K to C, kindergarten to college, where the public, the city of San Francisco is investing in college savings accounts starting in kindergarten for all of those who are kindergarten, irregardless of the nativity or status of their parents. Cleveland, Cuyahoga County is about to inaugurate a very similar program. So all of those are percolating up from the ground, and tax policy also in terms of national legislation. There are a lot of levers and many of those are being worked on.

>> Emmanuel?

>> Yes. Thanks a lot, Tom for your comments. So, yes, I agree with you that it is not only the top tax rates that are [INDISCERNIBLE] of the policies and in the U.S. case, the 1980's, where not just the decrease in tax progressivity, they were also deregulation, especially financial deregulation, the weakening of the unions, and the weakening of the minimum wage in real time. So it's an array of policies and I found the presentation of Leslie very interesting and I've seen myself in research I have done that indeed distrust in government is very large and it's probably something that blocks the public from supporting government-oriented solutions. So the public is eager for innovations, but how do you convince a corporation to change its pay structure? I mean either it is going to be a government policy like minimum wage regulations, or it's going to be a union. I mean if it is going to come from inside the corporation, that is by definition what a union is about. And, therefore, shaping the pretax -- you know, the market, income distribution ultimately it is going to rely on government policy through regulations and taxation. But everything goes back to the government so that is why the issue of distrust in government, I view that as the biggest hurdle that the United States is facing to address the issue.

>> Leslie, did you want to reply to that?

>> Yeah. I mean when you look at questions about, for example, supporting government increased spending on education and education policies, very high support. When you look at particular questions that ask about support, whether or not the government -- certain kinds of policies are needed by the government in a very general way to reduce inequality, then you have very high support. So I think that in general, the public is very supportive of progressive taxation. So I don't think that it is only or categorically a distrust of government, but actually a lot

of the examples that Tom gave are examples of locally-based initiatives that have been able to translate the issue of taxes into concrete policies that the local public believes that they will benefit from. So I think that it is also true that when you look at public opinion polls at the state level, there is more support for state policy than there is for federal policy. And I think in part that is because the benefits, the consequences are more transparent at the local level. So I just think it's a little bit paralyzing to argue in a blanket way that Americans distrust government categorically. And just one final thing. If you look at public opinion polls on regulation of business, there is quite a lot of support for regulation of business.

>> Okay, we actually have microphones down and would welcome questions. The only caveat is that the questions need to be succinct. And so I would think that you ought to be able to ask a question in 30 seconds, and if you have a comment, within one minute. So we have two microphones if people have questions for the panelists.

>> I have a question I believe it's for Melvin and Shapiro. Sounds like a vaudeville team. But Professor Melvin, I agree completely with the idea that any discussion of inequality should focus on black inequality. However, surprise, surprise, America is still a very racist society and if the focus on inequality is on blacks, it tends to not win support. A focus on inequality in general with a focus on blacks in a secondary way may win support. And then just one other little point with regard to -- if inequality is based heavily on the deduction of mortgage interest by whites, how do you convince whites they should give up that deduction? How do you win that kind of support? Unfortunately, it sounds incredibly pie in the sky, that you could wish it away and produce greater equality. But interest on the part of the white population in protecting that deduction, I don't know how you overcome that, to convince them it's a good idea to lose that for the benefit of others.

>> Thank you.

>> Do you want to start?

>> Yeah. Let me try to address that issue. This is one that, of course, is perennial at these meetings where well, yes, we all understand the role of race, but policy will never happen if you focus on race. The old particularism versus universal policy. And a legal scholar named John Powell has talked about universal policies that have a particular focus. So you can have a universal policy, but you've got to make sure that it does not, as Tom says, put harm on minority populations, but how does it specifically affect them? And the one that we always talk about it schools and funding. If you increase funding for all schools, who's going to make school funding equitable? Who is that going to benefit? And equitable is the way to frame it, I think. Who is that going to benefit most? It's going to benefit those people and kids who are in schools that are not being funded equitably now. So you can have policies, but if you don't think about the racial impact of them, we will have policies that continue to leave behind those who are racially disenfranchised.

>> Thank you, Melvin. Let me add to that and specifically take up the question around the mortgage interest deduction. The mortgage interest deduction, as I tried to get across, is clearly skewed to the top 20% which rakes in the top 72% of tax benefits. People will widely support not allowing or capping the mortgage interest deduction at $1 million just to pick a figure, or not including second or third homes. Modeling that is being done by the Tax Policy Center and focus groups are also talking about the support for a flat mortgage interest deduction that keeps it and benefits a huge majority of the American people in ways that would also extend that to renters so the policy, as the state of Massachusetts does. So the policy is in fact much more universal, but the distributional impact would be one that reverses the way it currently is while even maintaining the interest deduction. So in that instance I think we are a lot smarter and a lot more savvy with us in terms of a policy design and thinking those issues through that link the distributional impact to building constituency support along the way. And I think there clearly are

very strong forces in front of advocates on this issue, the banking industry, the construction industry and others. But something is going to happen. There will be some reform. What it is is up in the air, and I hope that we're going to have a strong voice there.

>> Another succinct question on my left?

>> I think that no one on the panel mentioned the influence of money in politics. So I wanted to race that, campaign finance, and lobbying, and the policies that create what Larry Lesig and some others have called legalized corruption in the U.S. Congress as interplaying with these issues for each of you. So for Thomas, how much money in politics explains the rise in inequality that we have seen? Can money in politics explain why we don't have the political leadership that Leslie says we need? And what does the public think about that? And also how does this play in with the issue of race?

>> I think that -- I mean I agree with you. I think this is, you know, one of a complex of things that makes it very difficult to have progressive policies in this country. And I think that really Leslie should be commenting on the reason why it seems so difficult to get a political consensus on changing that. One issue that I didn't raise my comments that may be part of the answer is that there's this, you know, our politics are very -- they're geographic in this country. And so when you look at the public opinion for the country as a whole, you get one answer. If you look in like Madison, Wisconsin, you get a much bluer answer. And if you look at the suburbs immediately to the west of Milwaukee, you get a red answer. Never mind going down to Alabama. I think that one has to sort of understand how public opinion gets shaped in these different parts of the country, too, and maybe this is part of the explanation for why it is so difficult to get the money out of politics.

>> Yeah. I agree with what Tom has said and I agree with the importance of campaign finance. I mean the interesting thing about campaign finance is that we actually don't have very good data

of a causal nature that can demonstrate its influence. I mean this is one of the big questions of social science research. And likewise, we don't have a lot of public opinion data on this topic. Part of what I'm trying to I guess spearhead or provoke or inspire maybe is just much more research on the different kinds and array of policies that can be put forward to reduce inequality and to generate much more research about what the public thinks about those policies. Currently our research is very limited to public opinion support for classic redistributive policies such as taxing the rich and providing welfare for the poor. There is even very little interaction with racial or gender factors involved in social policy formation. I actually, as I said, I think that the sort of civil rights framework is one that could be a very powerful one that cuts across issues of class, race and gender. It is quite fundamentally about opportunity, which is very much supported by the public. But my overall point here is that we don't have a lot of information precisely about many of these kinds of policies that the public may or may not support. We just don't know. They are quite critical policies.

>> Emmanuel, your research really shows the role of the state in influencing these. Did you want to chime in here?

>> Let me show the correlation within cuts and top tax rates and top incomes and some people also apply that in a reverse causality in sense that when rich are very rich, they will make sure they influence the political system to keep the tax rates low. So that's another possibility and it is true that at least in the U.S., and we have seen that in other countries, you really need an external shock to change the politics of inequality and redistribution, and the drastic that is having high inequality is not enough Because in the U.S. you really had to wait for the Great Depression and then World War II to drastically change policies. Now we can say the Great

Recession was a big shock, but in terms of policies, probably it's not going to be a watershed event like the new deal was.

>> We have time for one more question.

>> Wonderful. Thank you all. My question is, first of all for Professor Saez. I have been wrestling with Piketty's all summer and he says what we need to be thinking about first and foremost is inequality in wealth, and that these other aspects of inequality and social capital and life opportunities, all these other things shrink in comparison to the importance of vast and growing and what he calls indecent inequalities in wealth. The last section of his book suggests that unless we find a way to reintroduce steep progressive taxations on enormous wealth and especially inherited wealth, the anti-democratic tendencies of these -- the wealth gap will make the significance of increasing quality of education, quality of housing, minimum wage, everything else, be relatively insignificant and make it impossible to actually live in a democracy. So I wonder if you, Professor Saez, if you agree with that, that we need to actually focus, first of all, on this introduction of radical progressive taxation on wealth, and particularly inherited wealth in the U.S., but also on a global cooperative basis so that people don't just move their money to another place that is a wealth haven. Do you agree with Piketty about this?

>> I mean I agree with him that wealth inequality is growing and is going to be a bigger issue moving forward. The strength of Picketty is that it was sometimes showing that it was inevitable. That almost every way of such bit policy changes, wealth is going to be a bigger part. The wealth income ratio that is for today is going to increase and the top of the distribution is really going to be dominated by inhibitors. You know, inequality is much broader than that. It is going to be a big issue and it is true that inheritance taxation, estate taxation might be a good way to start because there probably is going to be a bigger consensus at least in the United States to

tax inherited wealth. And indeed, you know, it's striking to see coming back to the political debate, the death tax, the estate tax, doesn't fall very favorably. However, in research we have done, when you tell people the estate tax is limited really to the top 1%, then support for the tax shoots up in surveys. So that is one aspect. Now it is true that in a globalized world, the old forms of state taxation as it existed, you know, as it might not be sufficient and that's why in the book he insists a way to set up a global world tax. I mean that is a state Utopia. Those issues, how do you tax moving wealth, in corporations, and multi-nationals is going to play a bigger role in the debate.

>> Thank you. I think that is a great question. I would like to just focus on the estate tax issue for a moment or two. The conversation we have just had about the estate tax was more than the conversation that happened when the estate tax was reformed the last time which happened in a room of about 10 people totally below the public radar. Virtually no public discourse about it. I bet people in this room couldn't even tell me what the top rate is or what the exemption is because it wasn't in the policy view. And in my view that is a danger to democracy when a policy as important as the estate tax can be "reformed" without public scrutiny. Not so parenthetically, it was reformed in a way that has higher exemptions than before. That is a certain, you know, $3.5 million of your estate is exempt so you're taxed on the first dollar after that, and the tax rate is lower than it had been in the previous 10 years.

And other than Social Security -- I may be wrong, but I think other than Social Security it is the only policy that indexes the benefits. So as inflation goes up, we don't do that for minimum wage, but we do it for the very wealthy or it gets done for them. And lastly, we all need to understand that an estate tax is, if you will, at the end of the day and lots of ways we know in our work that very significant monies are passed along way before the dealt of an individual for down payments on homes or start-up of businesses, for all kinds of things. So I think until we really tackle the principle that says the gains on capital needs to be taxed as least as much as we tax the gains from work, it is a no-starter. And that is really a place to start, although it is very difficult in the United States because of our constitutional history, it is very difficult to have a wealth tax.

>> Well, just for your information there are a lot of wonderful sessions in the next four days, but there is a session that is critically assessing the Piketty book that was added at the very last minute after our program was established and so it's actually at [SOUNDS LIKE] Glide Methodist Church that A.S.A. is a co-sponsor of and it's on Monday afternoon. Well, I can't tell you how thrilled I am about this panel. I think it has been great. There are two receptions where the A.S.A. offers complementary wine and food. One is on Sunday afternoon and one is right now. So please join me in thanking the panelists. [APPLAUSE]