

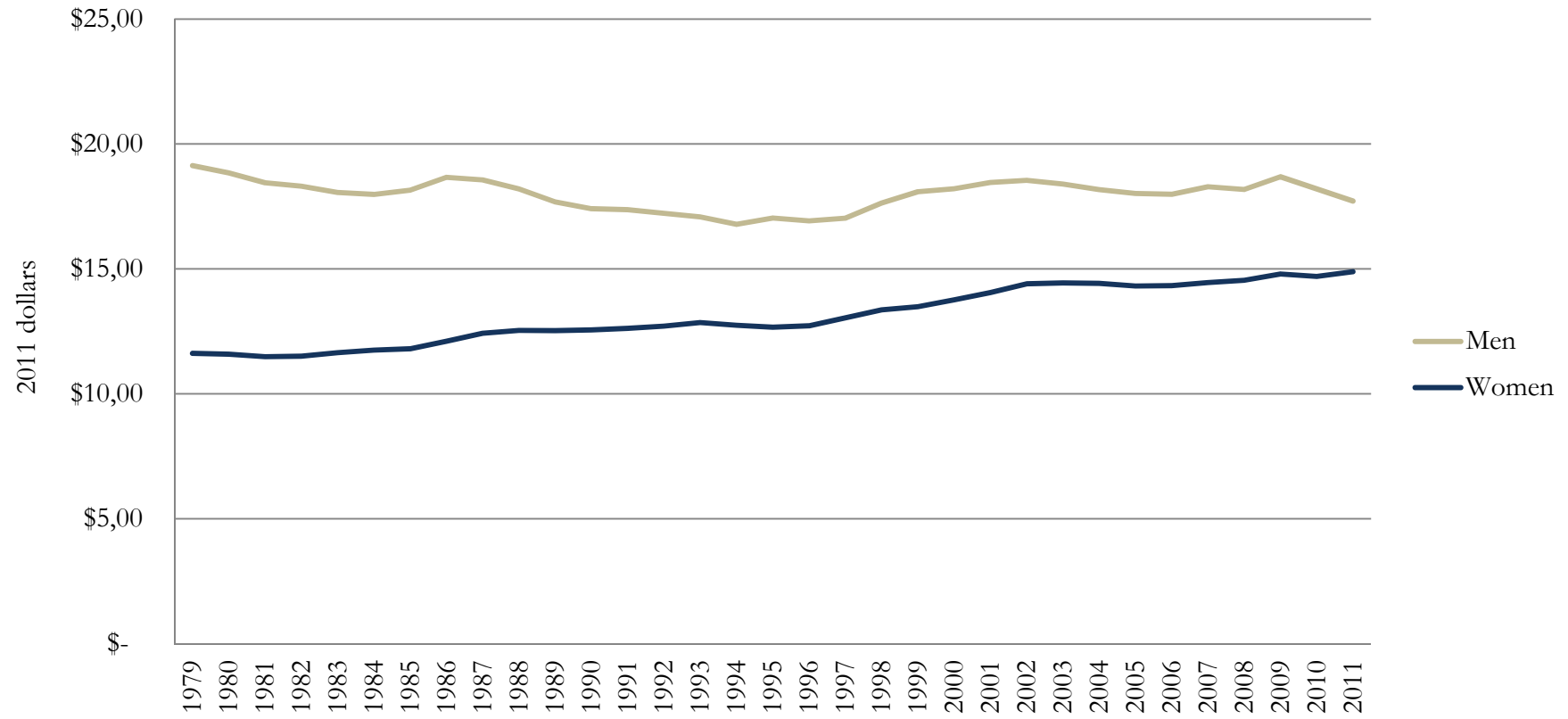
Inequality, Labor Market Institutions and Macroeconomics

Dean Baker, Co-Director

Center for Economic and Policy Research

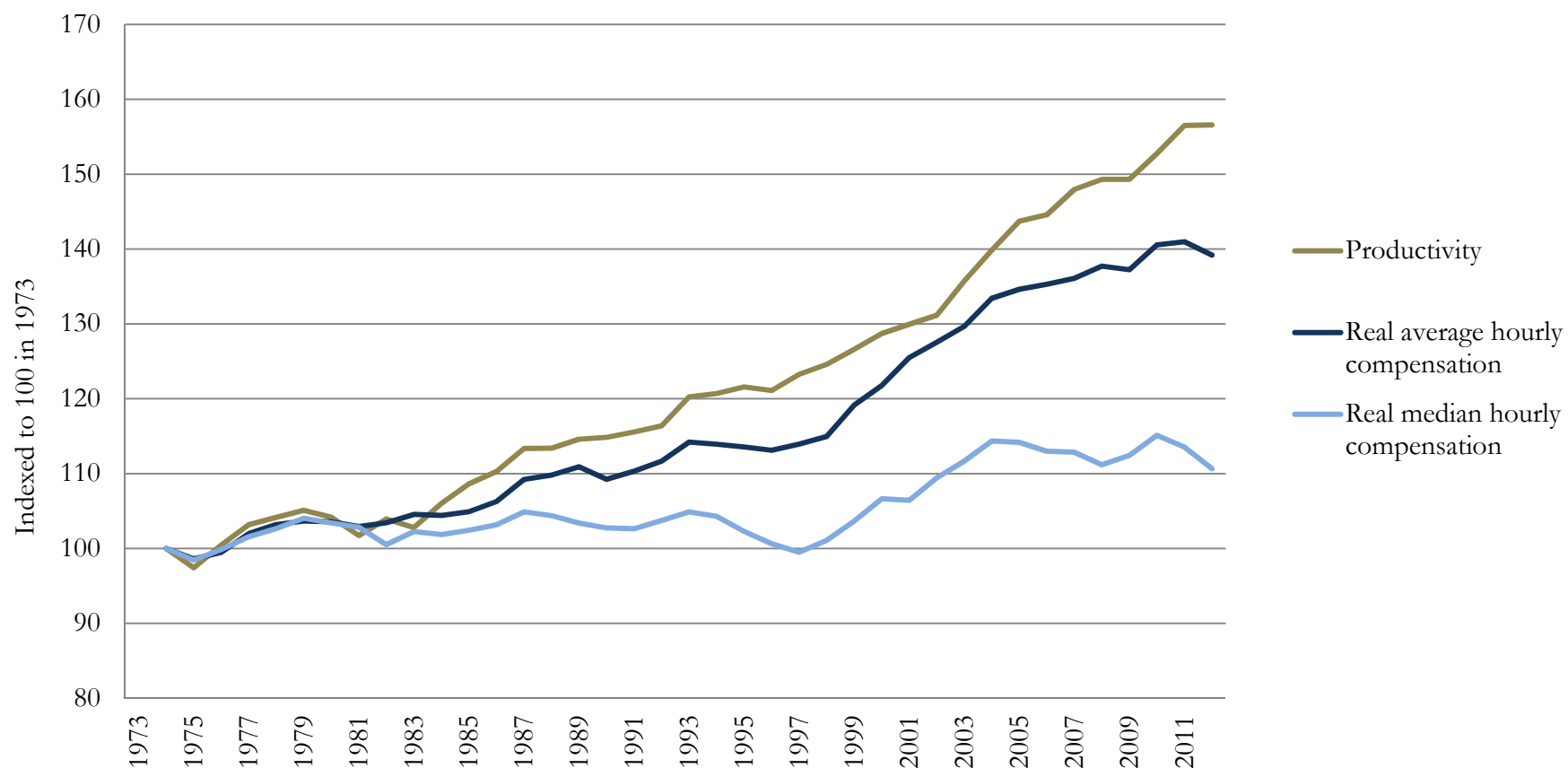
24- 26 October 2013

Median Hourly Wages

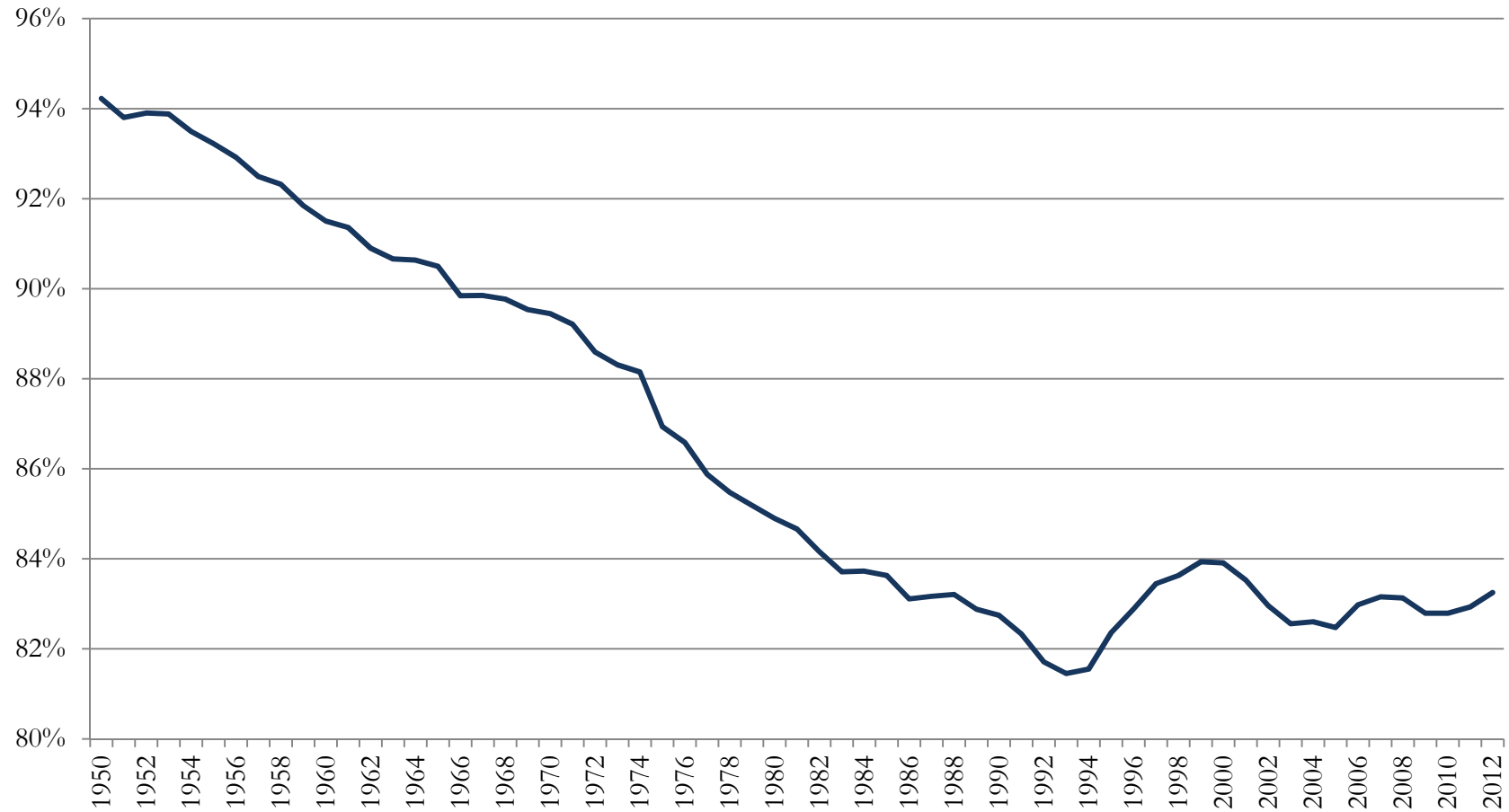


Source: Economic Policy Institute

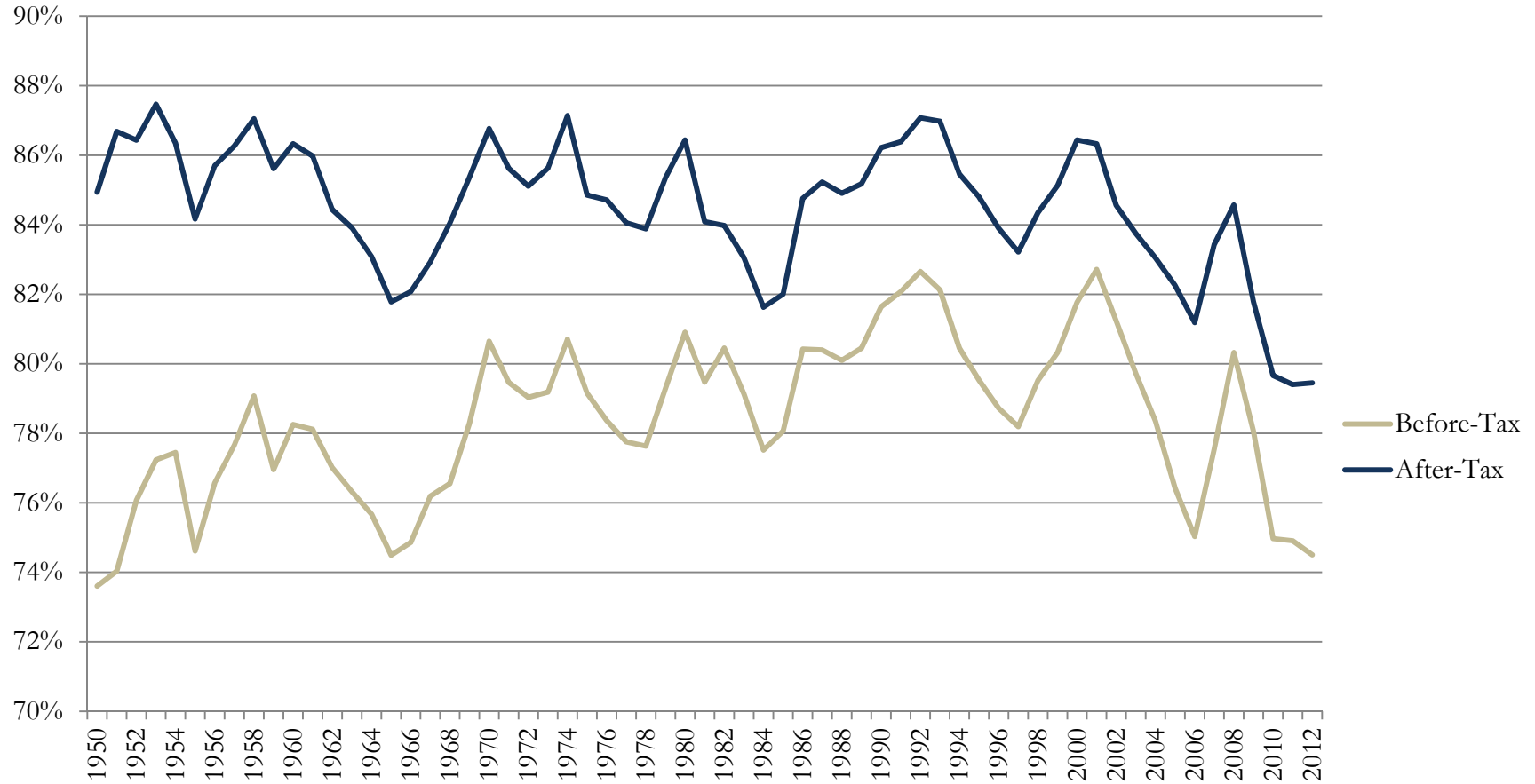
Hourly productivity, real average hourly compensation, and median compensation, 1973–2011



Wage Share of Compensation



Labor Share of Corporate Income



Real hourly wages and unemployment, year-of-birth cohorts, 1979-2011

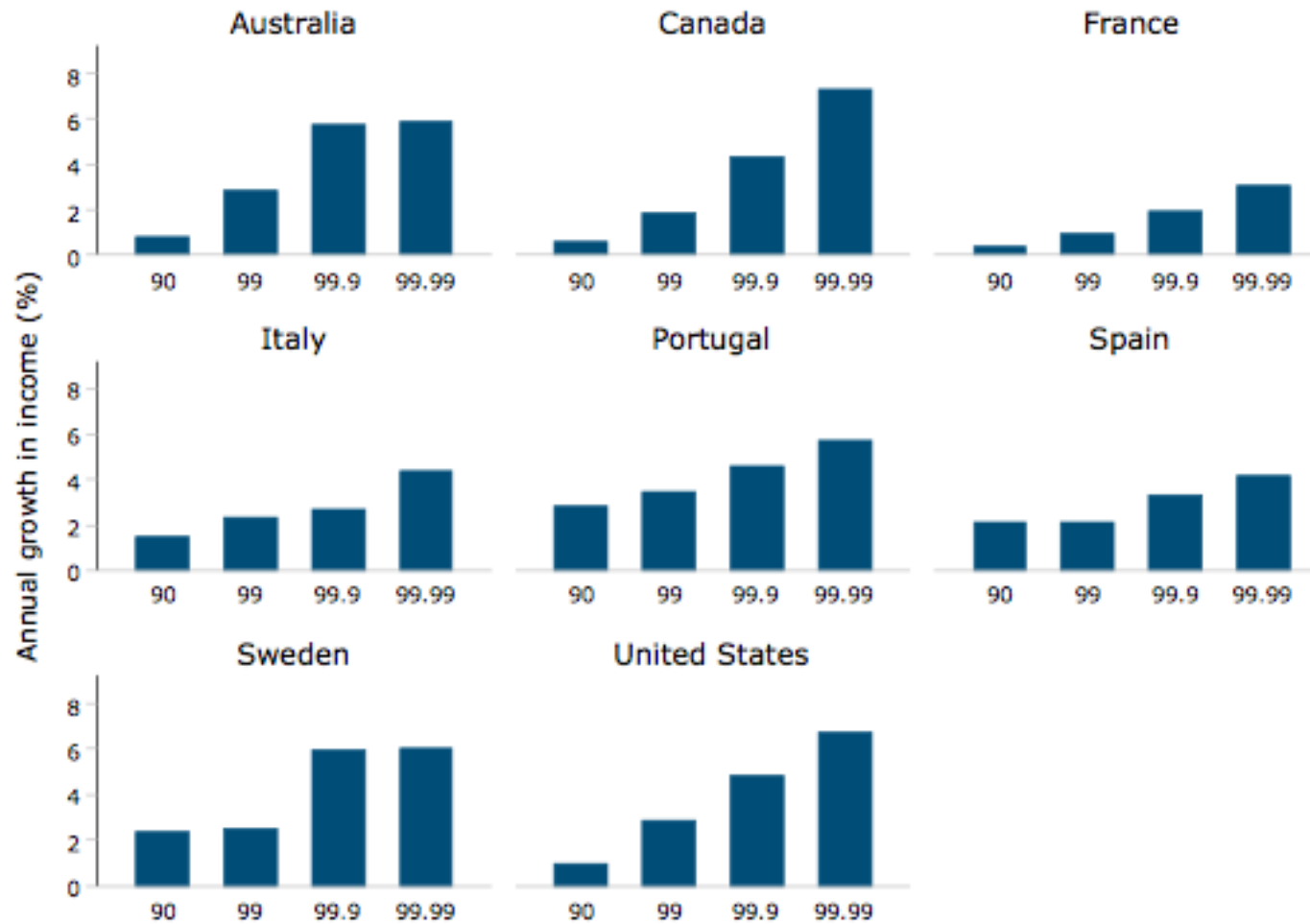
	All			Men			Women		
Wage percentile:	20th	50th	90th	20th	50th	90th	20th	50th	90th
Ln(u,t-1)	-0.050	-0.039	-0.027	-0.064	-0.059	-0.041	-0.044	-0.026	-0.021
(s.e.)	0.007	0.009	0.013	0.010	0.011	0.013	0.006	0.008	0.013
Trend	0.008	0.012	0.021	0.008	0.013	0.023	0.008	0.013	0.021
(s.e.)	0.000	0.000	0.001	0.001	0.001	0.001	0.000	0.000	0.001
N	320	320	320	320	320	320	320	320	320
Groups	20	20	20	20	20	20	20	20	20

Source: Baker and Bernstein, 2013

OECD Analysis of Inequality (2011)

- 1) Labor market institutions strong negative effect.
- 2) Education strong negative effect
- 3) Technology not cause
- 4) Finance strong positive effect
- 5) Income growth concentrated among very higher earners.

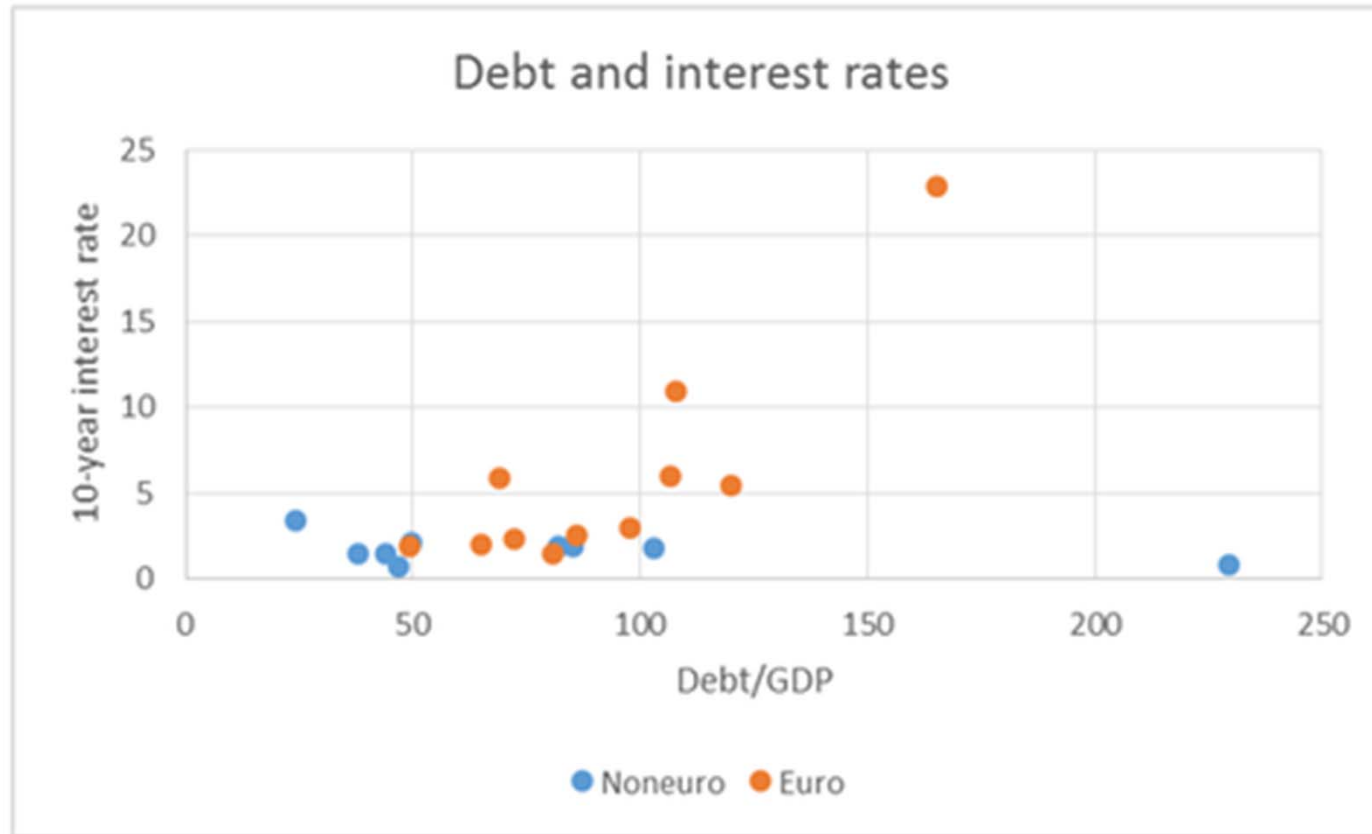
Increasing Inequality Within the Top Decile of Select Countries, 1985-2006



Research on Fiscal Multipliers

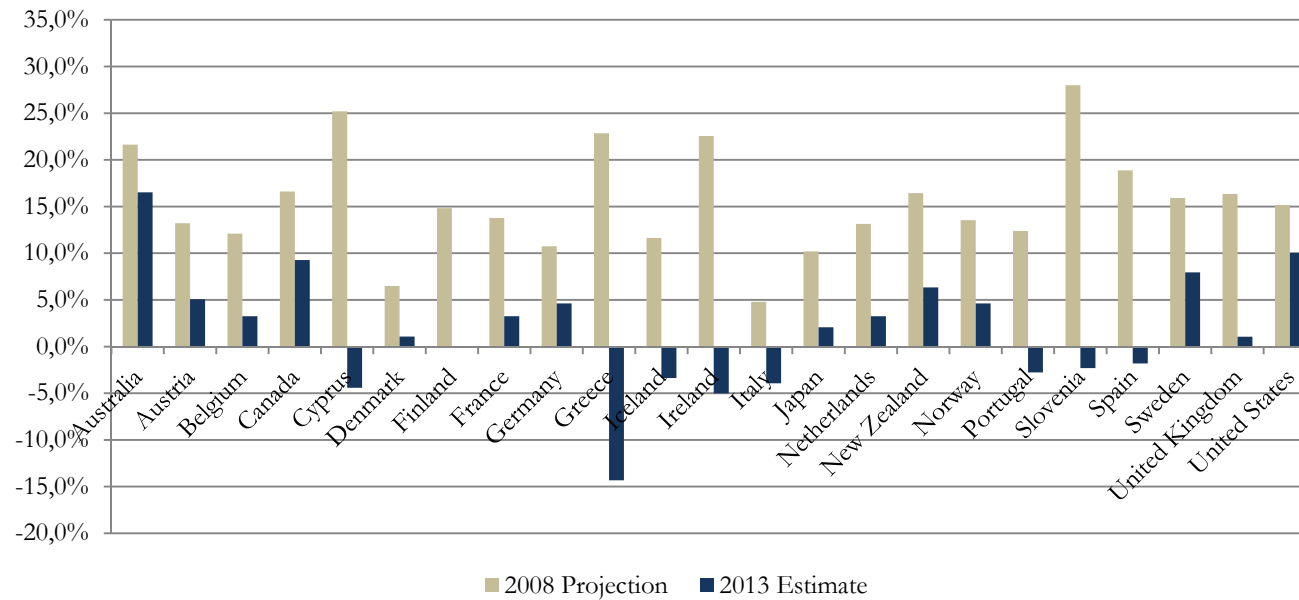
- Alesina and Ardagna 2009 – expansionary consolidation
- IMF 2010 – consolidations in contractions are contractionary
- IMF 2012 – implied multiplier from forecast errors
- Gechert 2013 – meta analysis of 104 studies

Interest Rates and Debt Levels



Source: Rose, 2013

Growth in Potential GDP 2007-2013



Source: International Monetary Fund.

Other Impediments to Wage Growth

- 1) Bloated Financial Sector
- 2) Patents
- 3) Copyrights -- asymmetric accounting
- 4) Corporate Governance