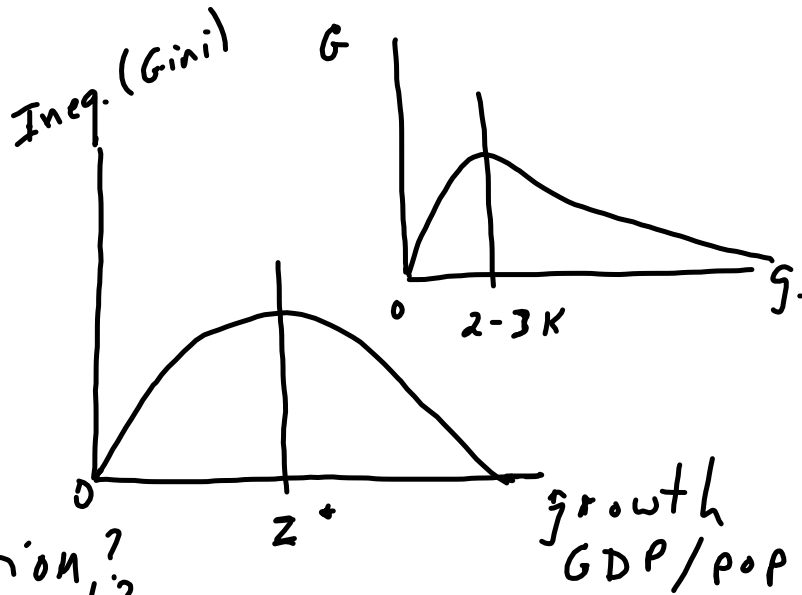


Inequality
Kuznets
- inverted U



- causal or correlation?
- institutional?
-

- econ resiliency (rebound from downturn)?
 - mobility → job matching - req. move to better job
- uncertainty in earnings

$$y_{ij} = \beta_0 + \beta_1 \vec{z}_i + \beta_2 \vec{x}_{ij}$$

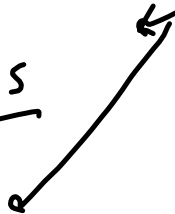
vector
of personal
characteristics
age
ed.
experience

stochastic
elements of
person i in
job j

$$\beta_2 = 0$$

Programs - short-term fall in income
- unemployment insurance
- TANF - income tested.
- SNAP - "food stamps" *

60 months



- maintain consumption (Aggregate Demand)
- search for job → matching

Automatic stabilizers

Long-term - disability
 - retirement

Social Security - defined benefit
 pension

FICA tax \times % covered earnings
 retire - Benefit (years \times earnings) \times

"Trust Fund" - non-existent

- PAYG - current workers
 paying for retirees

Kotlikoff +
 Burns
 The Coming
 Generational
 Storm

[Ida May Fuller - ret. 1939 65]
 paid in 3 years (24.75)
 died at 100 years of age
 \$22,900.00

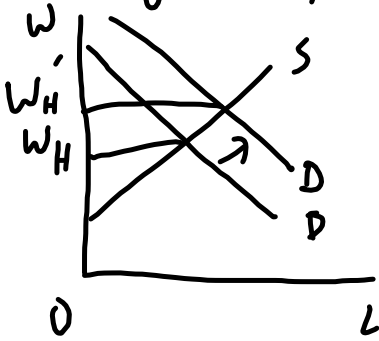
Social Sec. - why?

- redistribution - % of income ↓
as total income ↑
- paternalism - people won't voluntarily save
 - moral hazard avoided
 - adverse selection
 - savers subsidize non-savers
- data - US bad savers
med HH wealth US is ranked 27th.
- Soc Sec crowding out private savings
 - marginal vs average.
- Cross country → savings rates in Aus. NZ.
Can > US rates

retirement age? - life expectancy ↑
 also retirement age should ↑ as well
 life expectancy vs income &
 Angus Deaton -

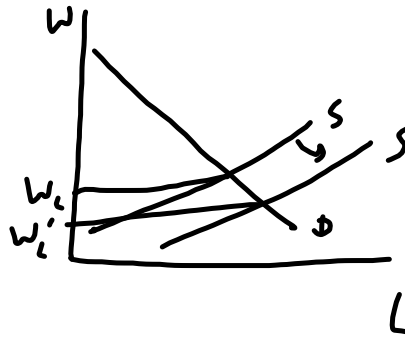
evidence of inequality

- wage inequality



High

min wage (real) ↓



Low

Saez
 Piketty
 Stiglitz

$$w_H - w_L$$

$$w'_H - w'_L$$

$$\left(\frac{Low}{High} \right) \uparrow$$

Piketty - non-wage income .
- return to capital > growth rate
of economy
non-wage (interest, dividends, capital
gains) income ↑
wage ↓