

Claudia Goldin and Lawrence F. Katz Paper:

The U.S. wage structure evolved across the last century: narrowing from 1910 to 1950, fairly stable in the 1950s and 1960s, widening rapidly during the 1980s, and "polarizing" since the late 1980s. Rising educational wage differentials explain most of the increase in wage inequality since 1980, just as decreasing returns to education explain much of the earlier decrease. Skill-biased technological change has generated rapid growth in relative demand for more-educated workers for the past century, but increases in skills supply more than kept pace for most of the twentieth century. After 1980, however, sharply declining skills supply growth driven by slower increases in educational attainment of the native born contributed to a surge in educational wage differentials. Labor demand shifts favoring high- and low-wage jobs at the expense of the middle have polarized the wage structure since the late 1980s, generating rapidly rising upper-tail and modestly falling lower-tail wage inequality.

JEL classification codes: J2, J31, N32