

Robert J. Gordon and Ian Dew-Becker Paper:

The increase in U.S. income inequality since 1966 divides roughly equally into a wider gap between income at the 90th and 10th percentiles and a wider dispersion of income within the top 10 percent. Deunionization, increasing imports, increasing immigration, a falling real minimum wage, and declining top-bracket income tax rates explain much of the gains at the 90th percentile; skill-biased technological change seems also to have contributed by increasing the demand for highly skilled workers. The increased skewness within the top decile stems largely from the rise of superstars in performance occupations, higher incomes for certain top professionals such as lawyers and investment bankers, and growth in CEO pay. The first two are market-driven; the last may reflect managerial control over boards of directors. Rising skewness at the top is more pronounced in the United States than other countries, driven largely by differences in institutions and social norms.

JEL classification codes: D31, E29, J31