Opening Remarks

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I am very pleased that all of you are here today to discuss what I feel is a critical issue facing our country. The issue is, of course, the growing disparity in wages earned by different segments of our labor force. It is deeply troubling that during the 1980s, the real wages of low-skilled workers in the United States have fallen sharply, both in absolute terms and relative to the wages of high-skilled workers.

Unfortunately, we can no longer argue these disturbing developments away. By any measure—whether blue-collar worker versus white-collar worker, high school dropout versus college graduate, production worker versus supervisory worker—low-skilled employees have clearly fallen behind high-skilled employees during a decade when the United States experienced substantial overall growth. We also cannot console ourselves with the argument that increased benefits compensated the low-skilled workers for their relative wage decline. Even including benefits, the compensation earned by low-skilled workers fell by roughly 10 percent relative to high-skilled workers—and stagnated in real terms—during the 1980s.

There is no doubt: our working poor have suffered a material blow. We are now in the position where the head of a family of four, working forty hours a week and earning the average wage in retail sales for someone without a high school degree, finds that his or her family's income just equals the poverty line. A decade ago, his or her family's income significantly exceeded this level.

These dramatic wage developments raise profound issues for the United States—issues of equity and social cohesion, issues that affect the very temperament of the country. We are forced to face the question whether we will be able to go forward together as a unified society with a confident outlook or as a society of diverse economic groups suspicious of both the future and each other.

For us at the Federal Reserve, wage inequality itself is, of course, not directly a part of our mandate. Our foremost task is to maintain price stability. Nevertheless, we must be cognizant of the growing wage disparity and its impact on various segments of our labor force. Our task of maintaining a stable economy will be that much easier to accomplish if we can carry it out in a society that has formed a consensus as to the benefits likely to come from stable growth.

Let me conclude on a positive note. Today, we have assembled a distinguished group of experts who offer the best hope we have of attacking our wage problem head on. From very early analysts of the growing wage gap, such as

Barry Bluestone and Bob Lawrence, to insightful newcomers to the wage disparity debate, such as Olivier Blanchard and Richard Clarida, we could not ask for a better or more comprehensive panel of academics to discuss the issues before us. Moreover, we have very perceptive observers—the practioners Ronald Blackwell, Margaret Hayes, Mitchell Fromstein, and Herb Washington, and the columnists Peter Passell and Samuel Brittan—to help keep us grounded in reality. Consequently, we at the New York Fed are very excited about today's program. Let us now begin.

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