

To Our Readers:

We are pleased to bring you this special issue of the Economic Policy Review, dedicated to the proceedings of the conference “Unequal Incomes, Unequal Outcomes? Economic Inequality and Measures of Well-Being.” The conference, held at the Federal Reserve Bank of New York on May 7, 1999, continues this Bank’s tradition of supporting informed public discussion of economic issues that go beyond the workings of monetary policy.

The United States has experienced an extraordinary rise in income inequality over the past few decades. The gap between rich and poor Americans—like that between skilled and unskilled workers—has reached its highest level in the postwar era. Although the trend toward increased pay disparity has in recent years shown some signs of abating, there is little doubt that the real incomes of the poor are lower today than they were twenty years ago.

While the growing divide between high- and low-income groups has received considerable attention, its larger consequences have been less widely discussed. The organizers of this conference—Erica Groshen, Chinhui Juhn, and James Orr of the Research and Market Analysis Group—chose to focus on the impact of income inequality on several broad measures of material well-being. Specifically, they asked those presenting papers at the conference to consider whether the deterioration in income experienced by the poor has been accompanied by a deterioration in outcomes—in health, housing, education, and crime. Recognizing that progressive public policies have to some extent offset the income disadvantages of the poor, the organizers wished to explore the net effects of the income gap on individuals’ ability to secure certain very basic goods and services.

In addressing these issues, conference participants pointed to numerous improvements in the economic prospects of the poor over the past several decades. They stressed, however, that unsettling problems remain. For example, crime is down, but the mortality rates of the inner-city poor are still unacceptably high. Housing affordability has improved dramatically across income groups—except among the poorest Americans.

As a collection, the papers in this issue of the Review demonstrate the manifold ways in which poverty undermines the material welfare and potential productivity of many of our citizens. Accordingly, we hope that the volume will provide a fuller understanding of the causes and consequences of income inequality and spur further research into the most effective policy responses.



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