



**National  
Urban League**

**To Be Equal #42**

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**Federal Reserve Chair Janet Yellen Talks about Income Inequality**

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*"The extent of and continuing increase in inequality in the United States greatly concern me... I think it is appropriate to ask whether this trend is compatible with values rooted in our nation's history, among them the high value Americans have traditionally placed on equality of opportunity." Janet Yellen, Chair of the Board of Governors of the Federal Reserve System*

With all the political, national security and disease news recently flooding the airways, you may have missed one of the most important American speeches from one of the world's most powerful economic leaders last week. In a speech at the Federal Reserve Bank of Boston on Friday, Janet Yellen, who in February became the first woman Federal Reserve Chair, bravely waded into the national debate on income inequality. Her remarks echoed many of the opportunity themes that have been championed by the National Urban League throughout our 104-year history.

Drawing from the Federal Reserve's triennial Survey of Consumer Finances (SCF), Yellen documents that "The past several decades have seen the most sustained rise in inequality since the 19th century..." She also outlines what she calls four "building blocks" of opportunity to help improve the economic circumstances of individuals and families. These building blocks closely align with the National Urban League's long-standing economic empowerment agenda: resources available to children, higher education that families can afford, business ownership and inherited wealth.

Highlights from Yellen's comments include:

- The average income of the top 5 percent of households grew by 38 percent from 1989 to 2013, while the average real income of the other 95 percent of households grew less than 10 percent.
- The average real worth of families in the top 5 percent has nearly doubled, on net— from \$3.6 million in 1989 to \$6.8 million in 2013, while the average net worth of the lower half of distribution, representing 62 million households, was \$11,000 in 2013.

- While Americans in all economic groups were adversely affected by the housing crisis, homeowners in the bottom half of households by wealth reported 61 percent less home equity in 2013 than in 2007. The next 45 percent reported a 29 percent loss of housing wealth, and the top 5 lost 20 percent.
- Research tells us that inequality tends to persist from one generation to the next. One study found that 4 in 10 children raised in families in the lowest-income fifth of households remain in that quintile as adults.

Again, while Yellen points out that “to the extent that opportunity itself is enhanced by access to economic resources, inequality of outcomes can exacerbate inequality of opportunity, thereby perpetuating a trend of increasing inequality,” she does not attempt to directly link how much the opportunity factors influence income and wealth inequality. But we do.

We know that opportunity is not equal when affluent families have significant resources for things like better nutrition, health care and early childhood education, while many other households have very little, if any resources, to spare for these purposes. We know that low-income families face an unfair disadvantage when public funding for safety net programs and public education is cut. We also know that the rising cost of college, the slowdown in business formation for low-income Americans, and the huge gap in inheritances between the top and bottom rungs of the economic ladder directly impact economic prosperity and mobility.

What makes Janet Yellen’s comments about income inequality so remarkable is the fact that rarely, if ever, has a Fed Chair spoken so honestly and openly about such a hot-button issue. We applaud her for speaking out, and this is an issue that should “greatly concern” us all.

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