

## **The Pay of Corporate Executives and Financial Professionals as Evidence of Rents in Top 1 Percent Incomes**

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The debate over the extent and causes of rising inequality of American incomes and wages had raged for almost two decades even before the groundbreaking work of Piketty and Saez (2003) exploded onto the scene. This work reinforced the startling degree to which income growth had been concentrated overwhelmingly at the very top. The P&S data indicate, for instance, that between 1979 and 2007, the top 1 percent of American tax units accounted for 59.8 percent of average growth in cash, market-based incomes, compared to just 9 percent of average growth in this period accounted for by the bottom 90 percent.

In this paper we argue the following. First, this increase in the incomes and wages of the top 1 percent over in the last three decades should largely be interpreted as a redistribution of economic rents, and not simply as the outcome of well-functioning competitive markets rewarding skills or productivity based on marginal differences. Second, this rise in incomes at the very top has been the primary impediment to living standards growth for low and moderate-income households approaching the growth rate of economy-wide productivity. Third, because this rise in top incomes is largely due to a redistribution of rents, this rise can be checked (or even reversed) through policy measures with little to no adverse impact on economic growth. Lastly, this analysis suggests two complementary approaches for policymakers wishing to reverse the rise in the top 1 percent's share of income: dismantling the institutional sources of their increased ability to redistribute rents their way and reducing the return to this rent-seeking by significantly increasing marginal rates of taxation on very high incomes.