ECONOMICS

Reproducing inequality

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The US economy is increasingly characterized by economic inequalities and an increased share of spending by top-earning households. It is an open question as to whether and how this growing high-end consumer market and related consumption inequality contributes to wage inequality.

Nathan Wilmers of Harvard University now offers research showing that within-industry wage inequality varies with the degree to which an industry is characterized by high-income consumer demand. By linking surveys of consumption and wages, Wilmers documents that education, arts and entertainment, and some service sectors, are more dependent on high-income consumers and exhibit higher within-industry wage inequality than do sectors such as mining or utilities and telecommunications. The proposition is that high-end consumer demand contributes to the segmentation of certain industries into high-end and low-end producers, which then translates into between-employer pay differences.

Increasing specialization in up-market products is of course not the entire story of wage inequality, which also exists between industries and within employers, but this research does suggest one pathway by which inequality reproduces across markets.

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