William Greider writes in The Nation:

The Yellen era began officially on Monday when Janet Yellen took the oath and became the new chair of the Federal Reserve Board. The very first female to hold that title. And not a day too soon. The New York Times greeted her with a headline that bluntly describes the circumstances. "The Middle Class Is Steadily Eroding. Just Ask the Business World."

Wouldn't you know. It took thirty years of guys running the Fed—Volcker, Greenspan, Bernanke—to create this messed-up economy. Now the woman has to clean up after them. From what we know about her, Yellen understands the challenge. She must undo the past. It took a generation of conservative Fed chairmen to tip the balance in one direction and accept the extreme inequalities of income and wealth. It might very well take another generation to correct the damage and restore equity. The Fed, of course, does not control every economic outcome, but, as Yellen knows, its policy levers can have decisive influence on jobs and wages.

What the Times reported—the disintegrating middle class—is not exactly news. But business reporter Nelson Schwartz managed to make the abstraction of rising inequality visible by describing the real-world consequences in the marketplace. Olive Garden and Red Lobster restaurants are losing altitude, while high-end restaurants are surging. General Electric's mass-market appliances are slowing, while fancier models are hot. Sears and J.C. Penney, which target middle-class consumers, are both in trouble.

Follow the money. Business strategists have this stark choice—either move upscale to target the affluent or down to the very low-end bargain basements where more shoppers are concentrating. The middle buyers are missing in action. Between 2009 and 2012, about 90 percent of the increased consumption came from the top fifth of household incomes, Schwartz reported. The familiar adverse social implications are buried in those business statistics. To put itcrudely, the United States has too many rich people awash with surplus wealth, but not enough healthy consumers with incomes that allow them to both spend and save for the future.

The president and like-minded Democrats are belatedly talking about inequality, but mostly discuss it as a moral issue, a matter of fairness. They will not get serious about finding solutions, I suspect, until they recognize that inequality is, above all, an economic issue. They might consult Janet Yellen about that. Since the crash and tepid recovery, Yellen has been talking consistently about what the economy needs for a healthier recovery—jobs and wages—without going into the obvious implications of inequality.

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The twisted nature of American economic life is not new. Nearly a decade ago in 2005, a team of economists at Citigroup identified this new era of inequality and gave it a name, "plutonomy." The rich are getting richer, these experts agreed, and the US economy has adjusted comfortably to the new reality. Plutonomy, they explained, is an economy

“powered by and largely consumed by the wealthy few.” By Citigroup’s reckoning, only the United States, Britain and Canada qualify.

“We project that the plutonomies…will likely see even more income inequality, disproportionately feeding off a further rise in the profit share in their economies, capitalist-friendly governments, more technology-driven productivity, and globalization,” they concluded. The follow-up report a year later was titled “The Rich Are Getting Richer.”

Janet Yellen, if she dares, might ask the Fed’s deep stable of economists to look into the subject. These Citi forecasters did not see the financial crash coming nor the near-death experience of their own institution. Nevertheless, they got the picture right and their provocative projection is clearly back on track. The American plutonomy has recovered smartly. It is just the overall economy that’s still struggling.