Income report highlights vast inequality in the US

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9 November 2001

Recent Census Bureau reports on household income in the US show that last year, despite an unprecedented 10-year economic expansion, income inequality was at a post-World War II high. Last year nearly half the total income—49.7 percent—went to the top 20 percent of households and just 3.6 percent to the bottom 20 percent. The richest 5 percent of US households—those making over $145,500—raked in 21.9 percent of all income, well above the 17.5 percent share recorded in 1967.

Such grotesque levels of inequality are characteristic of a country torn by class divisions. It belies the picture presented by the media and political establishment of a united America, a theme most forcefully asserted in relation to the war on Afghanistan. Moreover, the Census Bureau report is based on data collected in the year 2000. Since then millions of workers joined the ranks of the unemployed or suffered other losses of income due to the economic recession.

The gap in household income and in individual earnings is far greater today than at any time since the late 1960s. Since 1968, the Gini Index—which measures inequality—has risen from .399 to .460. (The index ranges from 0—which would mean all families had the same income—to 1.000, if the entire nation's income was concentrated in the hands of one family.) The largest jump in the index took place between 1980 and 2000, beginning with the corporate offensive against the working class initiated by the Reagan administration and culminating in the massive stock market rise during the Clinton years.

Since 1990 only the top fifth of households have seen their share of the national income rise, while the bottom four-fifths suffered declines in their share. Last year the top 5 percent of households earned eight times more than a family of four at the poverty line of $17,463. Although most households saw an increase in income during recent years, the majority were only modest gains. Median income grew by 8.1 percent between 1989 and 2000. By contrast, between 1959 and 1969, when increases in income were more evenly distributed, the median household income rose 24 percent.

Real inequality is actually even higher than the Census Bureau figures indicate. Critics point out the bureau's statistics underestimate the share of national income going to the richest Americans by excluding all incomes over $999,999. This means the multimillion-dollar salaries of corporate executives are not factored in when calculating income disparity in America. Moreover, capital gains, which generated billions for the rich during the stock market boom, are also not included.

According to the Congressional Budget Office, if tax returns that capture this hidden income are used as an alternative measure, the income of the wealthiest one-fifth of the US population grew 20.6 percent between 1993 and 1997 alone. This is more than twice the 9.2 percent increase reported by the Census Bureau.

From 1993 to 2000 median earnings for men working full-time year-round rose 4.4 percent and for women about 7 percent, according to the Census Bureau. From 1999 to 2000, however, median income—$42,148 per household—remained flat. Median earnings for full-time year-round male workers actually fell for the first time in four years, by a full percentage point.

The Census reports also show that last year more than one in every ten people in the US lived below the official poverty line. The poverty rate made a slow decline from over 15 percent in the 1980s to 11 percent in 2000, the lowest level since 1973. Nevertheless there were 31.1 million people living in poverty last year, 8 million more than in 1973. Moreover, if the modest decline in the official poverty rate was all that was possible during the longest economic expansion in US history, what will become of the tens of millions of at-risk families as the economy worsens? Already nearly half—44.5 percent—of all poor families had at least one full-time worker in 2000, up from 36 percent in 1993.

Every measure of economic well-being shows that the working class has not only failed to benefit from the stock market and profits boom of the 1990s, but in many ways is actually worse off. In none of the previous postwar recessions did US workers face mass layoffs with their families in such a precarious financial condition. In the past many workers could count on government benefits as well as employer-sponsored support in industries such as auto or steel to offset the impact of unemployment. Today it is estimated less than 40 percent of the jobless will qualify for the woefully inadequate unemployment benefits provided by the government on a temporary basis.

The steady growth in the number of low-paid and part-time or temporary workers over the past 20 years has contributed to a situation where thousands of those laid off face immediate financial ruin. Among this group are large numbers of the poor, mostly women with children, who were pushed off welfare to work in low-paying jobs. Many resorted to taking tenuous work situations that are particularly vulnerable to layoffs. One estimate says only one in five laid-off "welfare leavers" would qualify for unemployment compensation. The limited protections of a social safety net built up during the 1960s and 1970s have been gutted by the 1996 welfare reform and by two decades of state and federal budget cuts.

The latest Census Bureau figures further underscore the enormous transfer of wealth—from the working class to the wealthy elite—that has taken place in America with the backing of both political parties.