Decline in 2009 personal income reveals impoverishment of US population

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Figures released by the US Commerce Department Thursday highlight the continuing decline in living standards for wide layers of the population, suffering from the worst economic conditions since the Great Depression.

The Commerce Department's Bureau of Economic Analysis (BEA) reported earlier this month that personal income in the US declined 1.7 percent in 2009. The Associated Press noted that this was "the weakest showing since the Great Depression year of 1938, when incomes had fallen 7.7 percent." The decline in personal income is the first in the US since 1949.

The Commerce Department statistics issued Thursday focused on state-by-state conditions. The average decline in state personal income was also 1.7 percent, ranging from a decline in Nevada of 4.8 percent, to a gain in West Virginia of 2.1 percent.

In total, the populations of 42 American states suffered personal income losses in 2009, while two states experienced no change and six, plus the District of Columbia, enjoyed gains.

California, once a beacon of economic and social progress, is undergoing a startling transformation. Personal income in the state fell 2.5 percent in 2009, the first decline since the Depression. As the *San Francisco Chronicle* commented, "State income plunged even more sharply in 2009 than the similar, historic drop that occurred on a national basis, a notable reversal given that California generally has beaten the national averages throughout the 80-year history of this report."

The drop in statewide personal income, reports the *Chronicle*, "works out to $1,527 fewer dollars for every man, woman and child in California." The newspaper notes that prior to 2009, personal income in the state had only fallen five times since 1929, when such records were first kept. In the 80 years covered by federal records, personal income in California has increased by an average of 7.3 percent.

Economic analyst Jon Haveman with Beacon Economics in San Rafael, California, told the San Francisco daily that "the figures confirm that this has been the worst downturn since the 1930s." The pain has been widely felt, he noted, adding, "What we're seeing is a decline in income among the middle and lower classes."

This decline in income of the working population is taking place across the US. As the BEA observes, the personal income decline in a given state in 2009 corresponded to its distinctive economy.

In Nevada, which experienced "the second largest decline among states since 1969," the drop-off is most accounted for by a decline in construction and the accommodations industry (including casino hotels).

"The biggest contributors to Wyoming's 3.9 percent personal income decline," explains the Bureau, "were mining (including oil and gas extraction) and construction. In New York, where personal income fell 3.4 percent, the earnings losses were primarily concentrated in the finance industry. The biggest earnings decline in Connecticut was also in the finance industry, but manufacturing and construction declined almost as much. Michigan's 3.0 percent personal income decline reflected large losses in durable goods manufacturing."

If personal income in Michigan fell at a slightly lower rate than some of the worst-hit states, it is only because the sharp decline in personal income began years ago. The Mackinac Center for Public Policy points out that "Michigan's per capita GDP fell from 19th to 41st between 2000 and 2008—a precipitous drop from one of the 20 most productive states to one of the 10 least productive in less than a decade." Overall, Michigan, which once had the highest industrial wages in the US, is currently ranked 37th in per capita personal income.

Transfer payments, largely consisting of social assistance programs, miserly as they are, "now account for 22 percent of all income in the state. Without them, Michigan drops to 41st among the states in per capita personal income."

Per capita income in industrial Ohio fell 1.4 percent in 2009, a loss of $508 per resident, and personal income in the state declined $19.8 billion, writes the *Toledo Blade*, "as the recession wreaked havoc on the economies of the Great Lakes states." In Illinois, another Great Lakes state, personal income fell 2.1 percent, "with durable goods and construction showing the biggest losses," according to one news report.

Tennessee residents experienced a decline in personal income "for the first time in 60 years," according to the Tennessean.com website. "'Until last year, personal income had grown in Tennessee and nationally every year since 1949,' said Kathy Albetski, chief of the analysis bureau's Regional Economic Information System.

"'People are not working, they're working fewer hours, people are taking jobs with lesser income—it's a combination of those things,' Albetski said."

Floridians lost 2.7 percent of their personal income in 2009, or some $20 billion, from the year before, and the once-booming state was ranked near the bottom nationally in income growth; the state rated last in the southeast and 43rd in the country. Sharp declines in construction and manufacturing were primarily responsible.

Responding to the news that Alabama residents saw a 1 percent decline in personal income last year, Keivan Deravi, an Auburn University-Montgomery economist, told the *Mobile Press-Register* that "2009 was the first decline in personal income that he could find in at least 25 years, and he's unsure whether projected gains this year can make up the lost ground. 'The trough in 2009 was so deep,' Deravi said. 'We need to be bouncing pretty good in 2010 just to get back to the trend line.'"

In Oklahoma, personal income fell 0.8 percent, of $1.1 billion. The *Tulsa World* cited the comments of David Lenze, an economist with the US Commerce Department: "The story for most states is one of decline, and when I look at Oklahoma the big thing is mining and reflecting the fact that prices were falling last year…. But even bigger was the decline in manufacturing."

So the story goes, state by state. In South Dakota, "[P]ersonal income dropped 3.5 percent in 2009, more than twice the nationwide average decline of 1.7 percent, according to the US Bureau of Economic Analysis, with farmers taking the brunt of that slide."

Meanwhile, the financial and corporate elite continue to plunder the economy, becoming ever wealthier. Income inequality is at its highest point in decades, and the US is now home to 403 billionaires, according to *Forbes* magazine, who between them control 8 percent of the national wealth, while representing 0.00014 percent of the nation's population.