US income inequality continued to soar in 2014

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Income inequality in the United States continued to grow in 2014, according to updated figures released last week by University of California, Berkeley economist Emmanuel Saez.

According to Saez's report, the top one percent of income earners increased their share of total income from 20.1 percent in 2013 to 21.2 percent in 2014.

The income shares of the highest-earning 10 percent, 1 percent, and 0.1 percent of income earners all grew in 2014. The top ten percent of earners received 49.9 percent of income in 2014, more than any other year besides 2012.

Saez noted that the top 1 percent of earners received 58 percent of income gains during the so-called economic "recovery" between 2009 and 2014. The incomes of the bottom 99 percent grew by just 4.3 percent during that period.

The figures for 2014 mark the first year that real incomes for the bottom 99 percent of earners increased by any significant amount since the 2008 financial crisis. Incomes for the bottom 99 percent grew at a rate of 3.8 percent last year.

Saez wrote that "the incomes of most American families are still far from having recovered from the losses of the Great Recession." He added that by 2014, the bottom 99 percent of income earners had recovered less than 40 percent of the annual income they had lost during the 2007-2009 recession.

The modest growth in incomes for the bottom 99 percent was dwarfed by the increase in the incomes of the super-rich. The incomes for the top 1 percent of earners grew at a rate of 10.8 percent last year, more than three times faster than the average for the bottom 99 percent.

While the growth of social inequality has dramatically accelerated following the 2008 crash, this is a continuation of a decades-long process. The report notes, "Top 1 percent incomes grew by 80.0% from 1993 to 2014. This implies that top 1 percent incomes captured almost 60% of the overall economic growth of real incomes per family over the period 1993-2014."

Saez warns that the growth of inequality is not likely to slow down, noting, "Based on the US historical record, falls in income concentration due to economic downturns are temporary unless drastic regulation and tax policy changes are implemented and prevent income concentration from bouncing back. Such policy changes took place after the Great Depression during the New Deal and permanently reduced income concentration until the 1970s."

He notes, "The policy changes that took place coming out of the Great Recession... are modest relative to the policy changes that took place coming out of the Great Depression. Therefore, it seems unlikely that US income concentration will fall much in the coming years, absent more drastic policy changes."

In fact, the US government's response to the 2008 crash has been dedicated to inflating the wealth of the super-rich while driving down incomes for the vast majority of the population. The White House has protected Wall Street executives from legal prosecution, while the Federal Reserve has handed out trillions of dollars in cheap money through "quantitative easing" programs, leading share values to triple on major US exchanges.

Saez notes that a significant contributor to the growth of income inequality has been the growth of the salaries for top earners, particularly top executives. He observes, "The income composition pattern at the very top has changed considerably over the century. The share of wage and salary income has increased sharply from the 1920s to the present, and especially since the

1970s. Therefore, a significant fraction of the surge in top incomes since 1970 is due to an explosion of top wages and salaries." He adds that, by some estimates, "the share of total wages and salaries earned by the top 1 percent wage income earners has jumped from 5.1 percent in 1970 to 12.4 percent in 2007."

There are signs that this process is accelerating. The same day that Saez published his report, the *Wall Street Journal* published a separate survey of executive pay, which found that CEOs at major corporations it surveyed had their pay increase by 13.5 percent in 2014, hitting $13.6 million.

The soaring wealth of the financial elite, driven by surging stock prices and executive pay, is driving demand for luxury goods and housing in major financial centers. Manhattan real estate prices have reached an all time high, with the average home price hitting $1.87 million, according to reports cited by the *New York Times* Wednesday. The *Times* noted that real estate developers are scrambling to create enormous multi-million-dollar high-rise apartments, which are being snapped up by members of the financial elite.

Meanwhile, the housing situation for the great majority of the population has only worsened since 2008. Last week a study by Harvard University's Joint Center For Housing Studies found that the share of the US population that owned a home hit the lowest level in two decades, with the homeownership rate for those aged 35-44 plunging to the lowest level since the 1960s. The report attributed the fall in home ownership to falling incomes for typical US households, noting that median household income in the US remained 8 percent below its level in 2007.

On Thursday, US President Barack Obama plans to unveil what he has called a major new policy initiative in a speech in La Crosse, Wisconsin. The proposal entails new federal rules that would make an additional 3 percent of the US population eligible for overtime pay. If adopted, the change would add a mere $1.3 billion to workers' wages annually. This is a tiny fraction of the trillions of dollars that have been transferred to the financial elite since the 2008 financial crisis.

To put things in perspective, Obama's program would transfer less income to working people each year than Facebook CEO Mark Zuckerberg made in a single day last year.