

SOCIAL INEQUALITY IN AMERICA: Incomes of Top One Percent in US Skyrocket...

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Income for the top 1 percent of US households rose dramatically in 2010, the first full year following the official end of the recession, according to recently released data. By contrast, the average income of the bottom 90 percent of households remained at its lowest level since 1983.

A March 7 report by the Center on Budget and Policy Priorities (CBPP), based on data compiled by University of California Berkeley economist Emmanuel Saez and his colleague Thomas Piketty, shows that in the wake of the greatest economic downturn since the Great Depression the share of total income going to the top 1 percent of US households rose to 19.8 percent in 2010. While slightly lower than the peaks of 2000 and 2007, this percentage is among the highest since the 1920s.

The [Piketty-Saez analysis](#) is based on 2009 and 2010 Internal Revenue Service data. Significantly, it provides detailed information extending back to 1913. Although this IRS data does include information for those not filing taxes, and does not account for household size, the CBPP expects Congressional Budget Office data will track similar income trends.

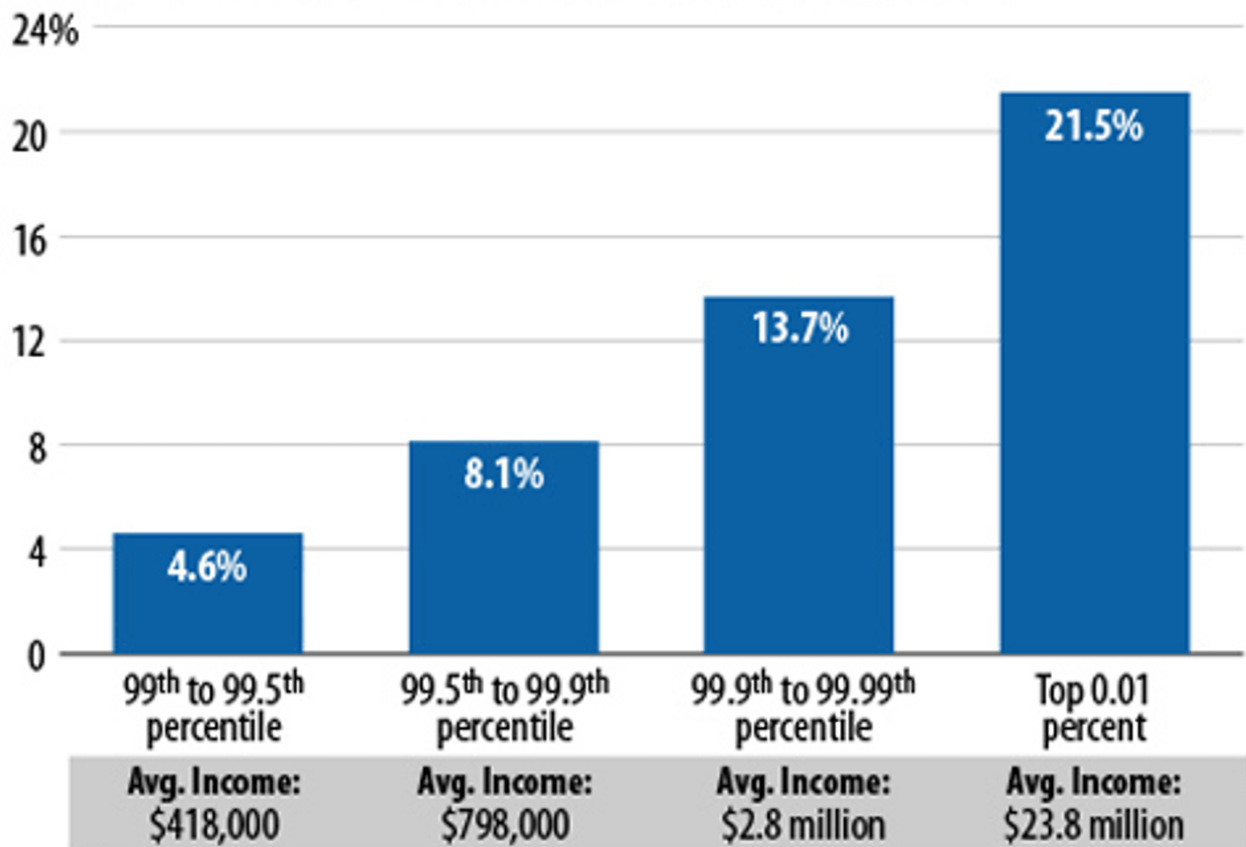
Over the past decade, income concentration has reached levels not seen in over 80 years. According to the Piketty-Saez analysis updated and published in a paper titled “Striking it Richer,” from 2002 to 2007, two-thirds of US total income gains (adjusted for inflation and population growth) went to the top 1 percent of US households. In 2007, the top 1 percent held a larger share of income than at any time since 1928.

From 2002 to 2007, the real, inflation-adjusted income of the top 1 percent of households saw their income rise *more than ten times faster* than the income of the bottom 90 percent. This dramatic rise is mainly due to the income of the top 0.01 percent.

The average income of the top 1 percent of households rose nearly 12 percent from 2009 to 2010. For the richest households—the top 0.01 percent—the growth was even more dramatic. This super-wealthy mini-segment of the population saw its incomes rise by 21.5 percent.

While the vast majority of Americans continues to feel the impact of the recession—in the form of joblessness, wage cuts and deep attacks on living standards—the very wealthy are hauling in obscene amounts of income. The income spread within the top 1 percent is particularly significant. (See graph below)

Percent growth in income for households within the top 1 percent, 2009-2010



Source: Piketty and Saez, based on IRS data

Center on Budget and Policy Priorities | cbpp.org

The 99-99.5 percentile of households, with an average income of \$418,000, saw a substantial rise in income from 2009 to 2010—4.6 percent. However, the top 0.01 percent, with an average income of \$24.8 million, saw household incomes skyrocket at a rate of 21.5 percent during this period.

From 2007 to 2009, the top 1 percent absorbed nearly half of the income loss, losing 36 percent—\$520,000—on average over this period. But as the CBPP report points out, this is less than this sub-set lost in the collapse of the dot-com bubble at the beginning of the decade. Also, this group's share of the total US income was substantially larger in 2009 than in 2002.

The Piketty-Saez analysis shows that the top 1 percent in fact took less of a hit in the recent recession than in the previous one for two reasons: the impact on the bottom 90 percent of households was far greater this time around, and although capital gains fell sharply during the recent recession, other sources of income for the wealthy did not fall as dramatically.

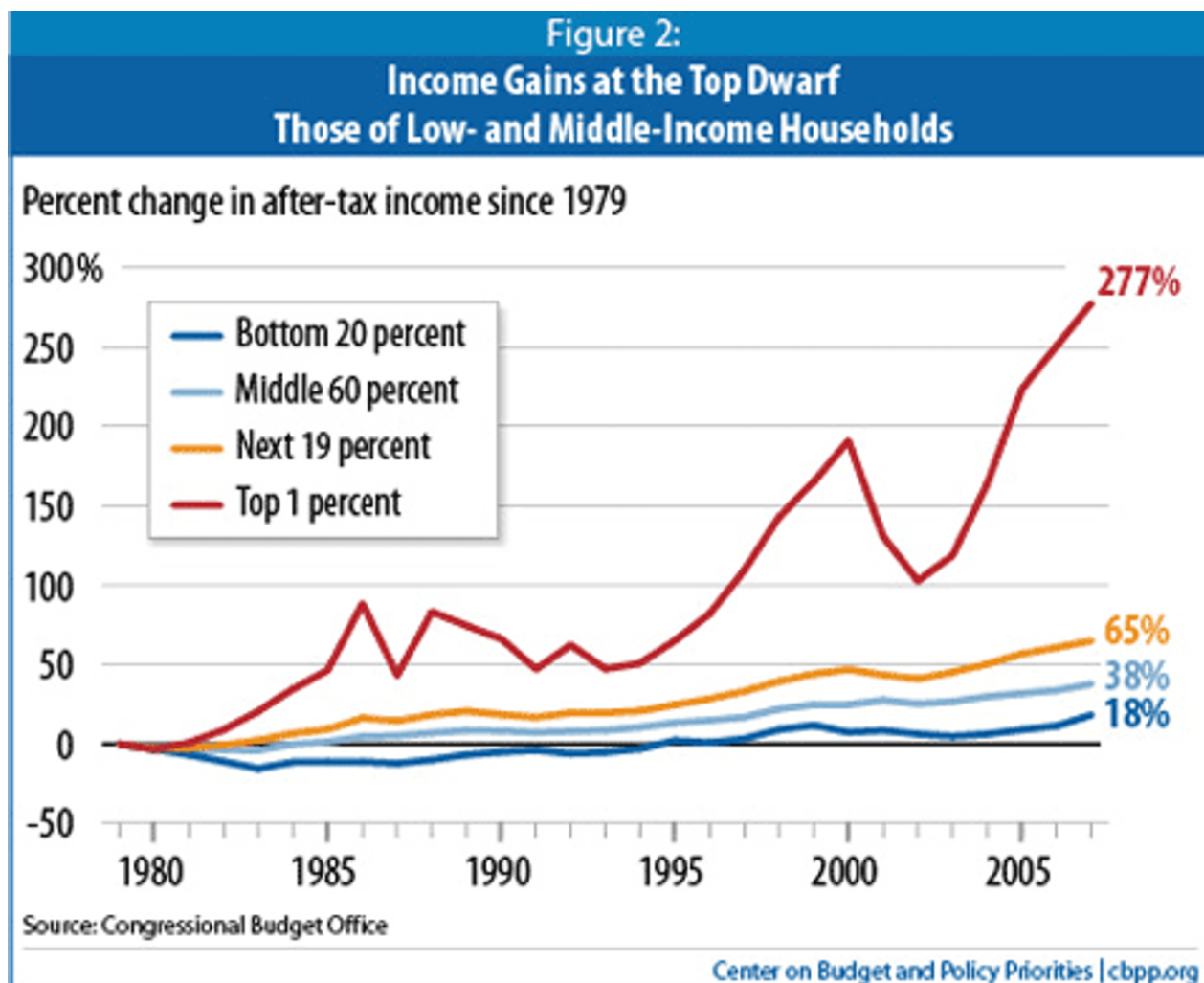
The CBPP notes, "In the Piketty-Saez data, an astounding 93 percent of the income growth after inflation and population growth has gone to the top 1 percent. The average income for this group increased nearly 12 percent (\$105,000) in the first year of the recovery, while the average income of households in the bottom 90 percent of the distribution remained at its lowest level in nearly 30 years."

What accounts for this deepening chasm between the super-rich and the majority of US households? In "Striking it Richer," Emmanuel Saez notes that factors contributing to this burgeoning income inequality include "the retreat of institutions developed during the New Deal and World War II—such as progressive tax policies, powerful unions, corporate

provision of health and retirement benefits and changing norms regarding pay inequality.”

Economic disparities between the top incomes and the bottom 90 percent in recent years follow a longer-term trend that began in the late 1970s. In contrast to the period following World War II, since the late 1970s, income growth for the top 1 percent has radically outpaced growth for the bottom 99 percent of households.

As the graph below demonstrates, since 1979 the bottom 20 percent of households have seen their incomes rise by only 20 percent, while the top 1 percent have seen incomes shoot up by 277 percent. Both the CBPP report and the Piketty-Saez analysis indicate that this trend toward income concentration at the top will continue in the coming years.



Last Friday, President Obama hailed the slight dent in the ranks of the 13 million unemployed with the creation of 227,000 net new jobs in February. As the WSWS noted, at this rate of job creation it would take nearly 11 years to put all those currently unemployed back to work.

The Obama administration has funneled trillions of dollars to bail out the banks, but has advanced no serious policies or public works program to put the millions of unemployed and underemployed back to work. While advocating a cut in the corporate tax rate, Obama has championed a revival of US manufacturing modeled on the auto industry, where newly hired workers’ wages have been slashed by 50 percent.

The continually spiraling incomes of the top 1 percent in America are further evidence that the “recovery” touted by the political establishment is at the expense of the jobs and living

conditions of the vast majority of the population.

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