

U.S. Income Gap Widening, Study Says

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The gap between rich and poor more than doubled from 1979 to 2000, an analysis of government data shows.

The gulf is such that the richest 1 percent of Americans in 2000 had more money to spend after taxes than the bottom 40 percent.

In 1979, the wealthiest 1 percent had just under half the after-tax income of the poorest 40 percent of Americans, analysis of new data from the Congressional Budget Office shows.

The figures show 2000 as the year of the greatest economic disparity between rich and poor for any year since 1979, the year the budget office began collecting this data, according to the Center for Budget and Policy Priorities, a nonprofit research organization in Washington that advocates tax and federal spending policies to benefit the poor. It released its analysis on Tuesday.

The richest 2.8 million Americans had \$950 billion after taxes, or 15.5 percent, of the \$6.2 trillion economic pie in 2000, Isaac Shapiro, a senior fellow at the center, said.

The poorest 110 million Americans had less, sharing 14.4 percent of all after tax money.

But the higher incomes of the last decade did not lift all people equally.

In 2000, the top 1 percent of American taxpayers had \$862,700 each after taxes, on average, more than triple the \$286,300 they had, adjusted for inflation, in 1979.

The bottom 40 percent in 2000 had \$21,118 each, up 13 percent from their \$18,695 average in 1979.

Mr. Shapiro also analyzed the budget office data in tandem with a recently updated study on income by the National Bureau of Economic Research, a nonpartisan, nonprofit research organization in Cambridge, Mass. The bureau study found that in 2000, the top 1 percent income group had the largest share of before-tax income for any year since 1929.

Mr. Shapiro said that findings from both studies suggested that in 2000, the top 1 percent had the largest share of the nation's total after-tax income since at least 1979 and probably since 1929. Mr. Shapiro emphasized that his combined analysis accounted for the fact that his study used after-tax incomes while the bureau's study used pre-tax incomes.

Both low- and middle-income people shared in the boom of the 1990's, while in the 1980's the bottom fifth experienced a decline in after-tax income, according to the budget office data analyzed by Mr. Shapiro and Robert Greenstein, director for the Center on Budget and Policy Priorities.

The middle fifth had an average after-tax income of \$41,900 in 2000, a rise of 15 percent both since 1979 and 1997, indicating a long period of no real economic gains for this group.

"You do have gains across the spectrum from 1997 to 2000," Mr. Shapiro said, "but they are much more dramatic at the top."

-The center's analysis said the highest income Americans had grown richer from 1979 to 2000 both from gains in income because of economic prosperity and from tax cuts. Huge gains in executive pay were a significant factor, Mr. Shapiro said.

Federal tax burdens for most Americans had declined over the previous two decades, and not risen as some conservative policy experts have asserted, the center said. Congress enacted tax cuts in 2001 and 2003 that were heavily weighted to the top 1 percent which supporters said would encourage them to invest more to the benefit of all Americans.

From 1979 to 2000, the total federal tax burden for the top 1 percent dropped 3.8 percentage points, but for the middle fifth the decline was only 1.9 percentage points. Tax rates for the poorest fifth declined 1.6 percentage points.

The top 1 percent pay a quarter of all federal taxes, while the bottom 40 percent pay 6 percent of all federal taxes.