Institute for Policy Studies

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DATA AND CHART PACK

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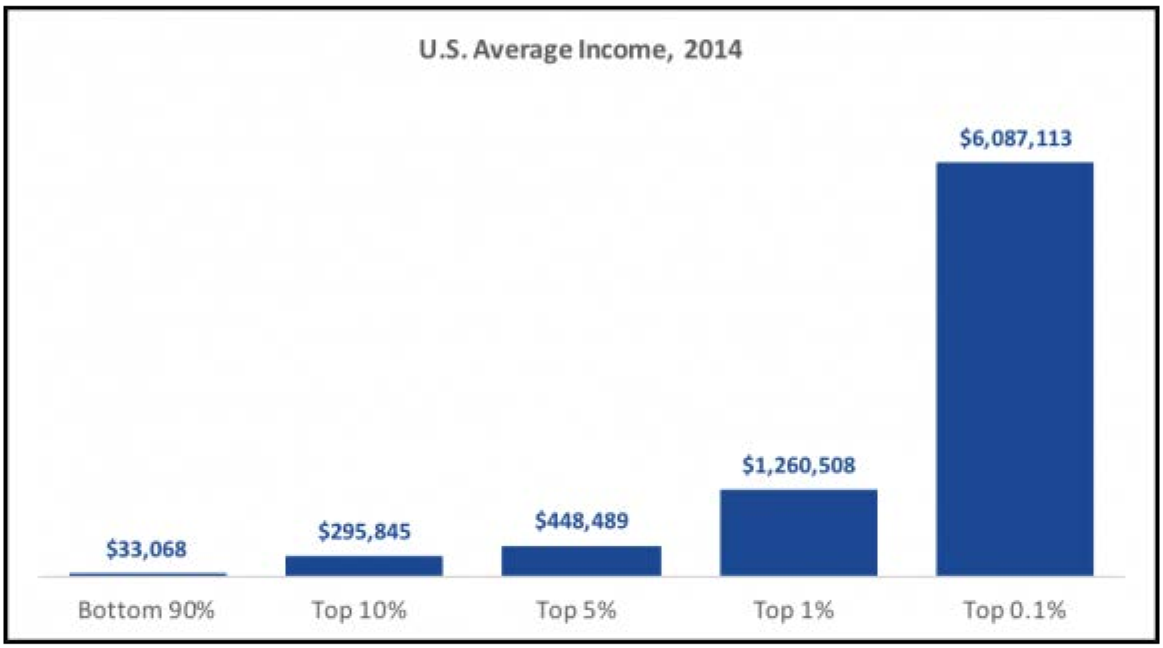
Institute for Policy Studies

Income Inequality

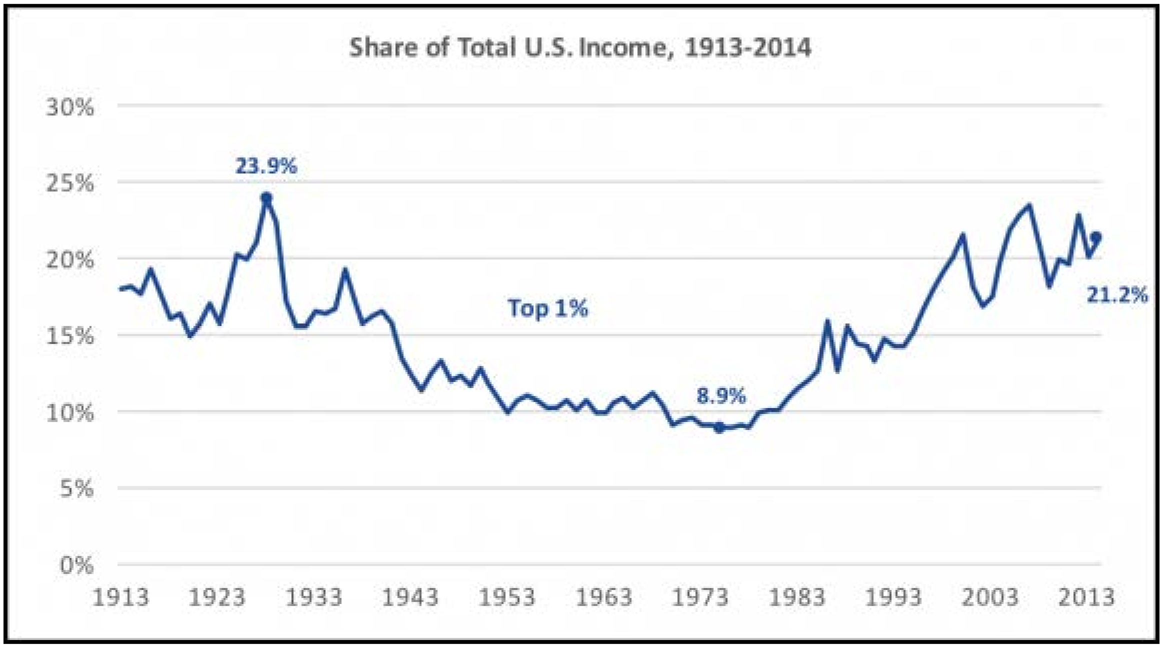
Income includes the revenue streams from wages, salaries, interest on a savings account, dividends from shares of stock, rent, and profits from selling something for more than you paid for it. *Income inequality* refers to the extent to which income is distributed in an uneven manner among a population. In the United States, i*ncome inequality*, or the gap between the rich and everyone else, has been growing markedly, by every major statistical measure, for some 30 years.

Household and Family Income



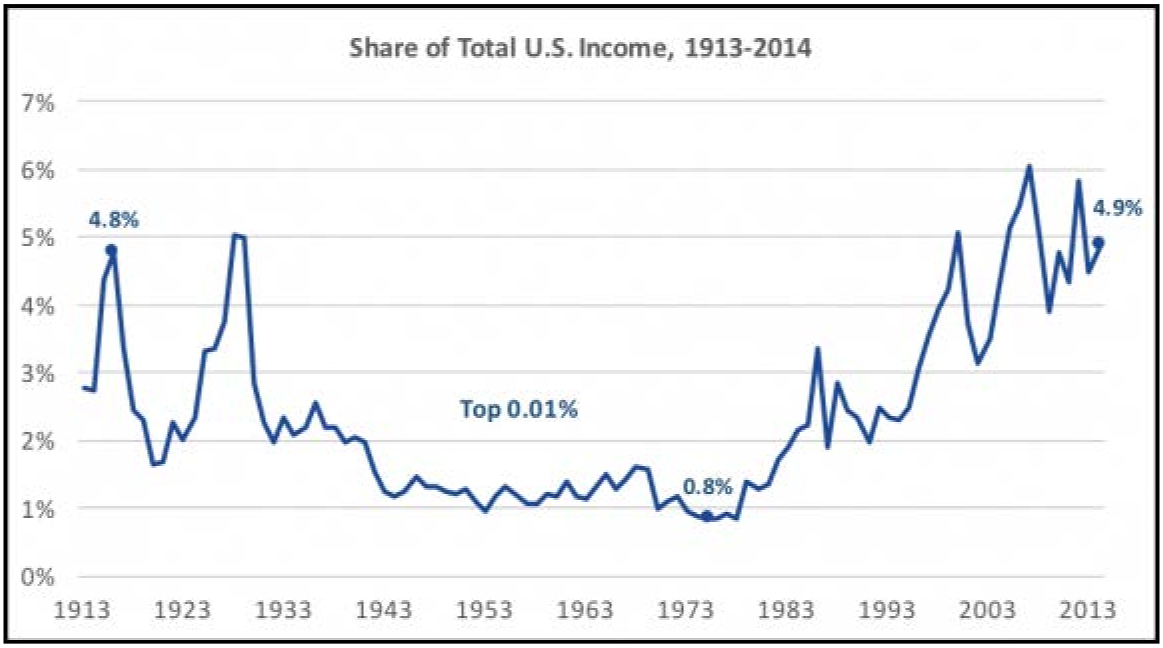
Source: Emmanuel Saez, Center for Equitable Growth, June 2015

Income disparities have become so pronounced that America's top 10 percent now average nearly nine times as much income as the bottom 90 percent. Americans in the top 1 percent tower stunningly higher. They average over 38 times more income than the bottom 90 percent. But that gap pales in comparison to the divide between the nation's top 0.1 percent and everyone else. Americans at this lofty level are taking in over 184 times the income of the bottom 90 percent.



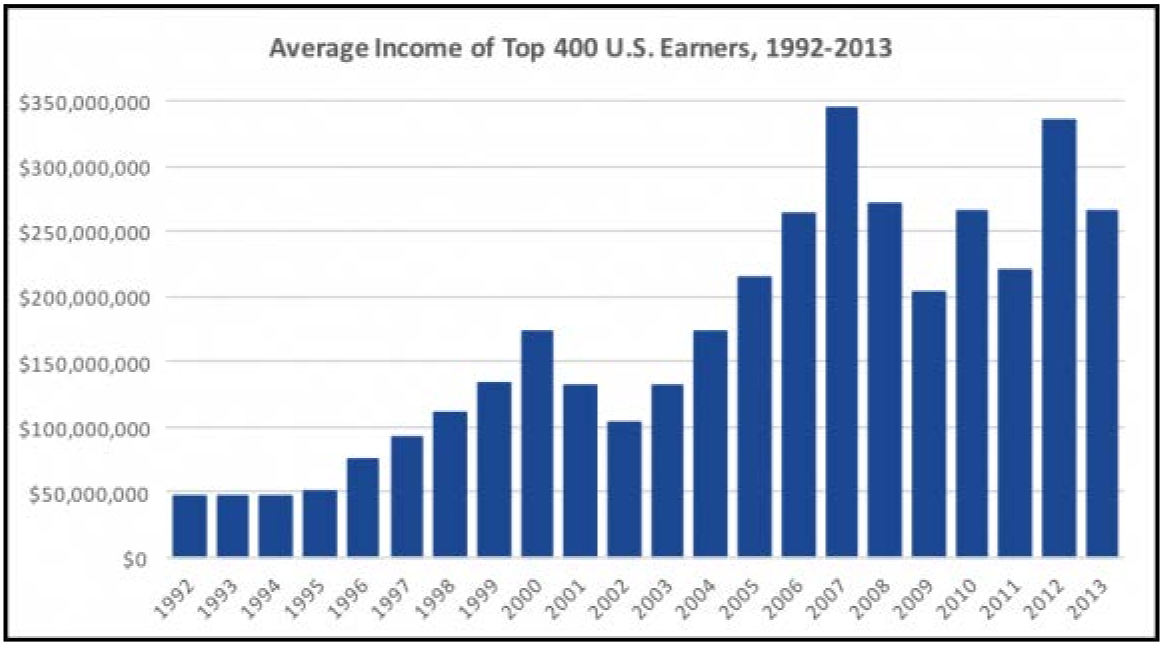
Source: Striking it Richer: The Evolution of Top Incomes in the United States, Emmanuel Saez, June 2015

The top 1 percent of America's income earners have more than doubled their share of the nation's income since the middle of the 20th century. American top 1 percent incomes peaked in the late 1920s, right before the onset of the Great Depression.



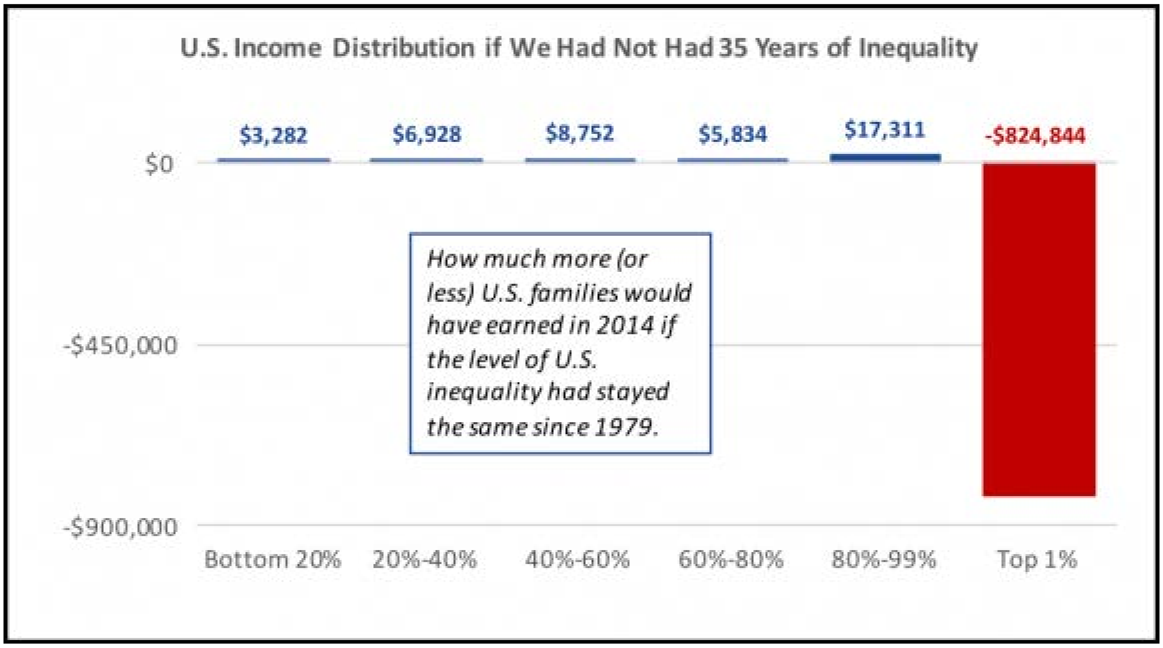
Source: Striking it Richer: The Evolution of Top Incomes in the United States, Emmanuel Saez, June 2015

Inequality in America is growing, even at the top. The nation's highest 0.1 percent of income-earners have, over recent decades, seen their incomes rise much faster than the rest of the top 1 percent. Incomes in this top 0.1 percent increased 7.5 times between 1973 and 2007, from 0.8 percent to an all-time high of 6 percent. The Great Recession in 2008 did dampen this top 0.1 percent share, but only momentarily. The upward surge of the top 0.1 percent has resumed.



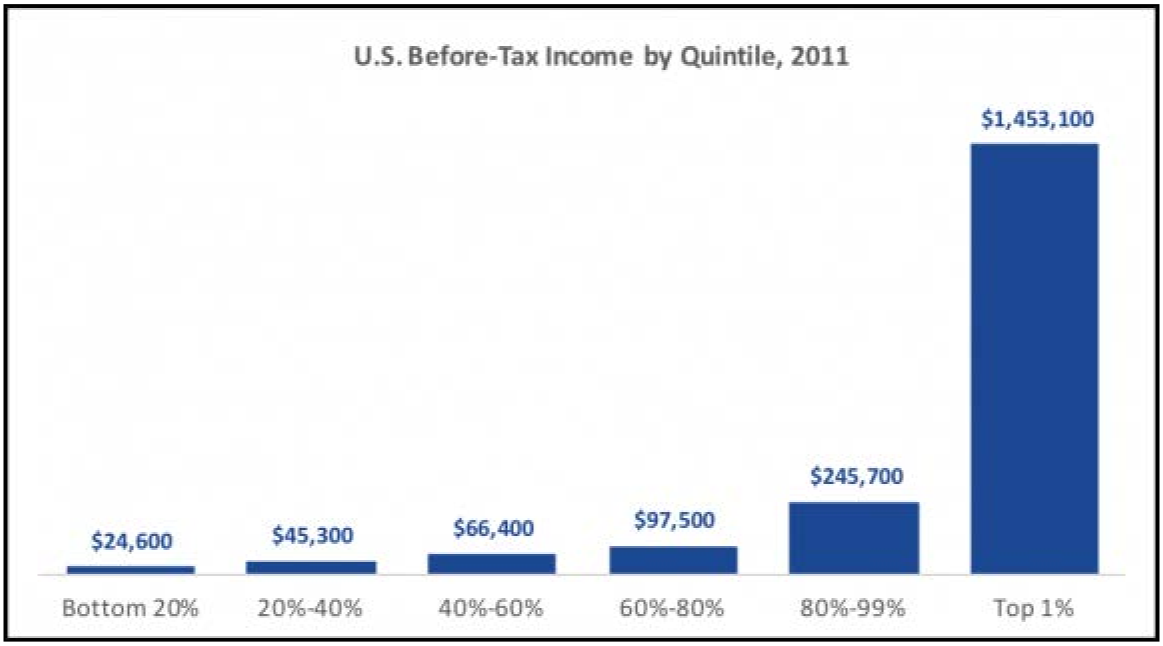
Source: Statistics of Income Division, Research, Analysis and Statistics, Internal Revenue Service, Table 1, December 2015

The 1990s saw the annual incomes of the ultra rich explode in size. Between 1992 and 2002, the 400 highest incomes reported to the Internal Revenue Service more than doubled, even after the collapse of the dot.com bubble in 2000. In the early 21st century, the economic boom driven by the real estate bubble would more than triple top 400 average incomes before the 2008 economic collapse.



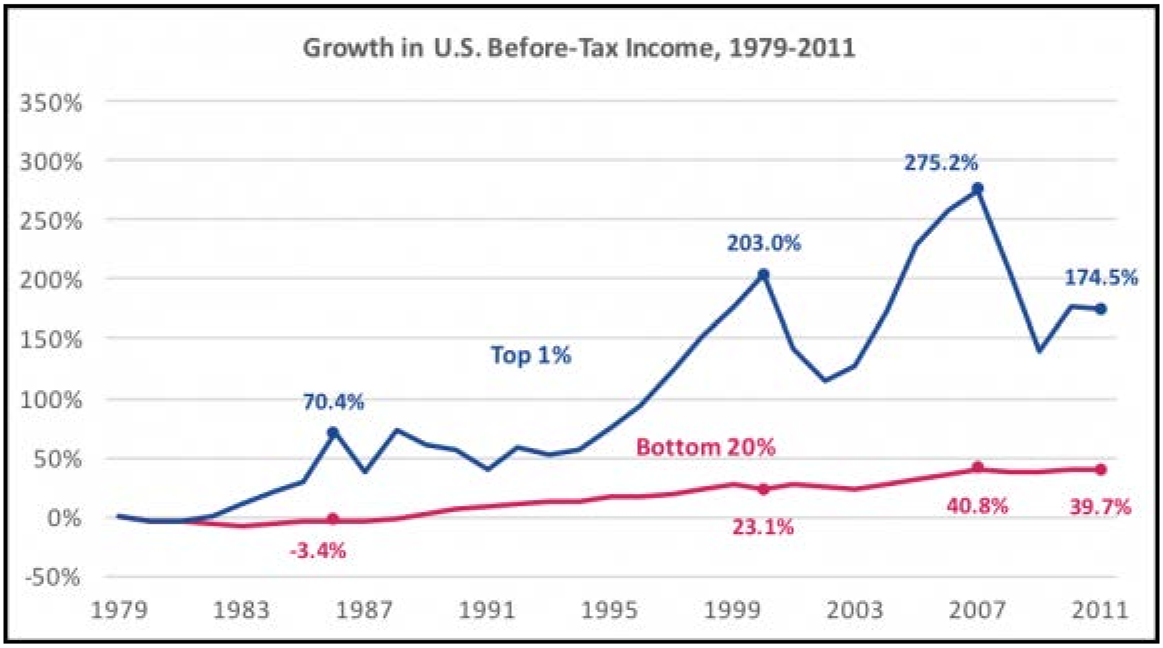
Sources: Household income shares for the 0-99 percent, U.S. Census Bureau. Top 1 percent data, the World Top Incomes Database. Analysis by NPR, January 2015

Before the 1980s, lower-income earners owned a far larger portion of total U.S. income than they do today. How much more income would these earners be making today if the United States had the same distribution of income as the nation displayed in 1979? NPR found that Americans would experience income increases of at least $3,000 across all quintile levels, with the highest quintile owed an additional $17,311. The top 1 percent of earners would see a dramatic fall in their income, losing more than just $824,844.



Source: Congressional Budget Office, The Distribution of Household Income and Federal Taxes, Table 3, November 2014

The Congressional Budget Office defines before-tax income as "market income plus government transfers," or, quite simply, how much income a person makes counting government social assistance. Analysts have a number of ways to define income. But they all tell the same story: The top 1 percent of U.S. earners take home a disproportionate amount of income compared to even the nation's highest fifth of earners.



Source: Congressional Budget Office, The Distribution of Household Income and Federal Taxes, Figure 11, November 2014

Since 1979, the before-tax incomes of the top 1 percent of America's households have increased more than four times faster than bottom 20 percent incomes.

Source: Congressional Budget Office, The Distribution of Household Income and Federal Taxes, Figure 13, November 2014

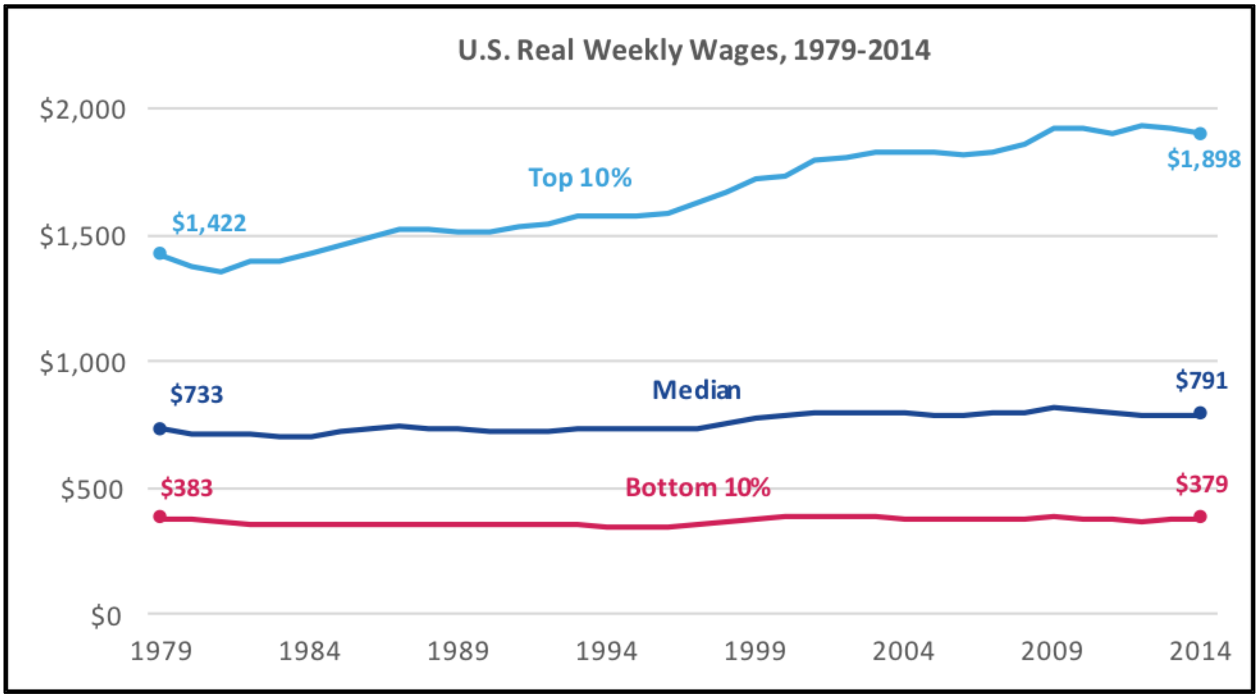
The Congressional Budget Office defines after-tax income as "before-tax income minus federal taxes." After taxes, top 1 percent incomes are increasing even faster than before taxes. Before-tax income growth for the top 1 percent has averaged 174.5 percent since 1979. The after-tax increase: 200.2 percent. A progressive tax system should function to narrow income gaps between the affluent and everyone else. Over recent decades, America's tax system has done no narrowing.

CEO Pay

Source: Institute for Policy Studies and AFL-CIO analysis of Bureau of Labor Statistics average hourly earnings data and corporate proxy statements, 2015

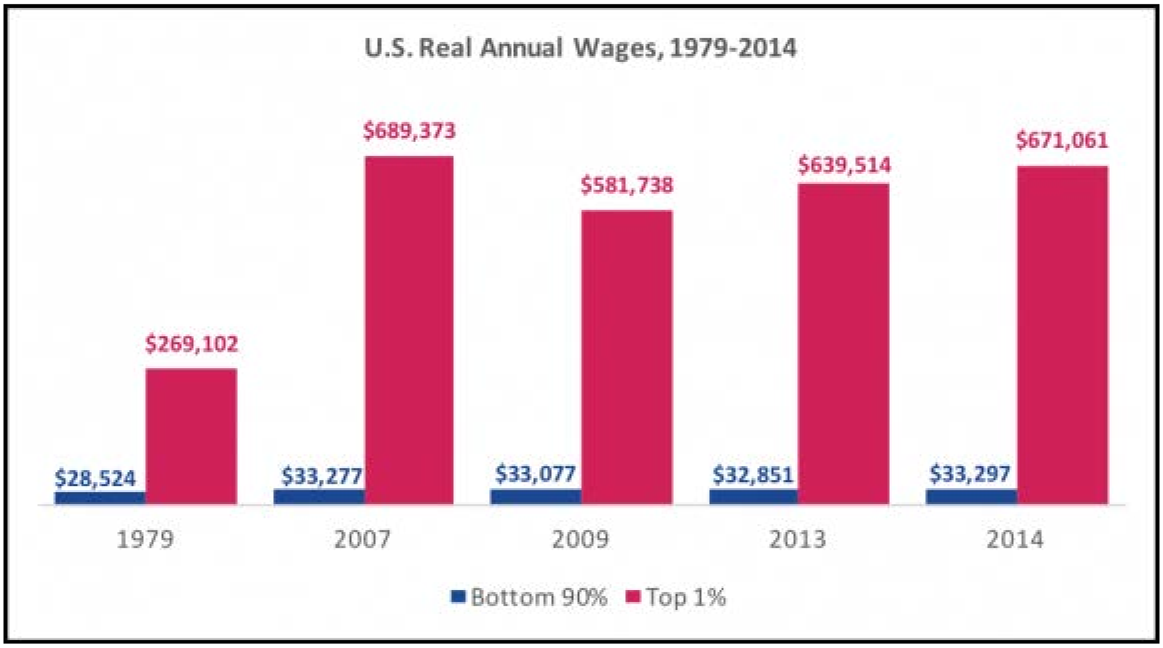
In the United States today, unions have a much smaller economic presence than they did decades ago. With unions playing a smaller economic role, the gap between worker and CEO pay was nine times larger in 2013 than in 1980.

Wages



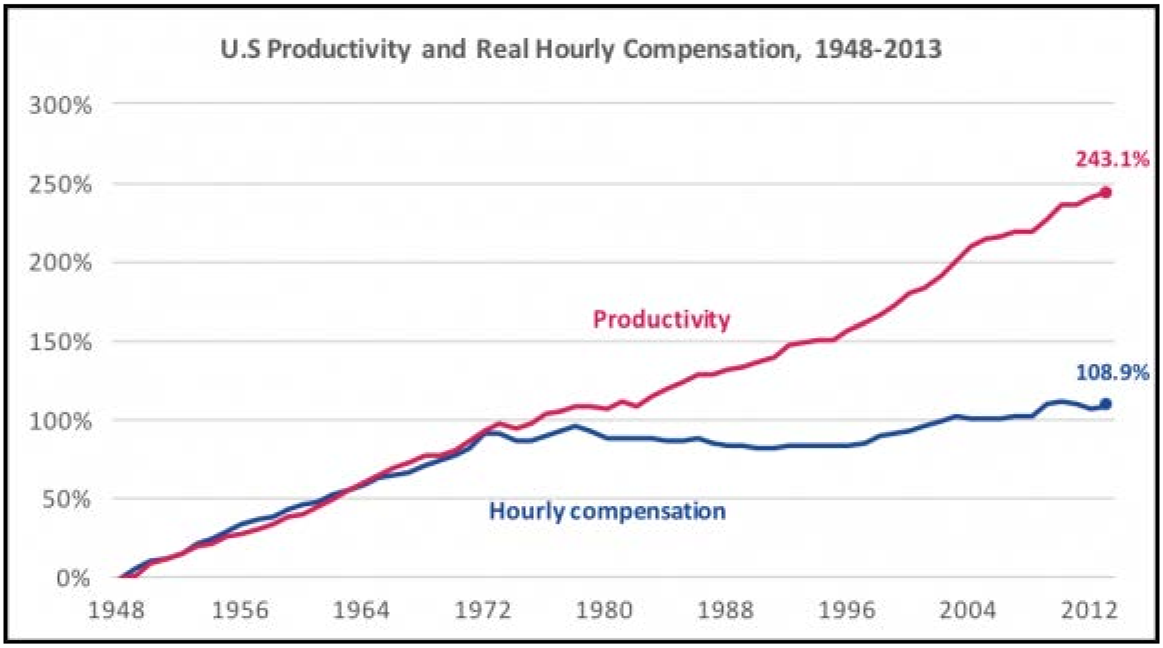
Source: A look at pay at the top, the bottom, and in between, Spotlight on Statistics, Page 2, U.S Bureau of Labor Statistics, May 2015

Wages in the United States, after taking inflation into account, have been stagnating for more than three decades. Typical American workers and the nation's lowest-wage workers have seen little or no growth in their real weekly wages.



Source: Economic Policy Institute analysis of Kopczuk, Saez and Song (2010) and Social Security Administration wage statistics, November 2015

Between 1979 and 2007, paycheck income of the top 1 percent of U.S. earners exploded by over 256 percent. Meanwhile, the bottom 90 percent of earners have seen little change in their average income, with just a 16.7 percent increase from 1979 to 2014.



Source: Economic Policy Institute analysis of Bureau of Labor Statistics and Bureau of Economic Analysis data, January 2015

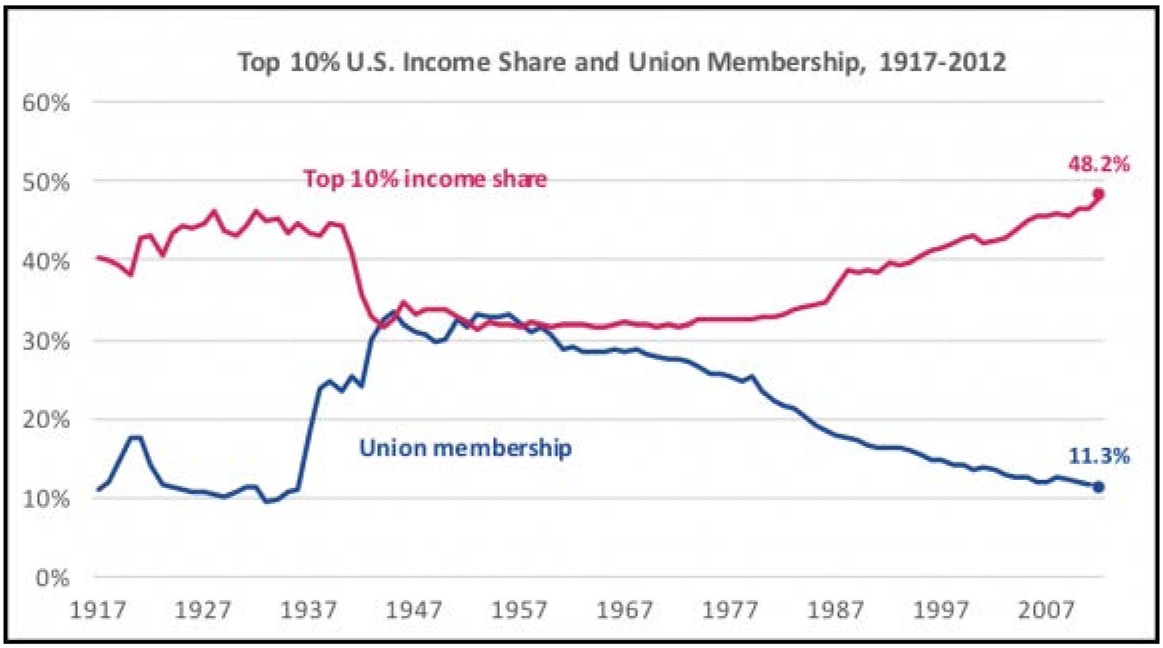
Productivity has increased at a relatively consistent rate since 1948. But the wages of American workers have not, since the 1970s, kept up with this rising productivity. Worker hourly compensation has flat-lined since the mid-1970s, increasing just 15.5 percent from 1979 to 2013, while worker productivity has increased 132.8 percent over the same time period.

Wealth Inequality

Wealth inequality can be described as the unequal distribution of assets within a population. The United States exhibits wider disparities of wealth between rich and poor than any other major developed nation.

We equate wealth with "net worth," the sum total of your *assets* minus *liabilities*. Assets can include everything from an owned personal residence and cash in savings accounts to investments in stocks and bonds, real estate, and retirement accounts. Liabilities cover what a household owes: a car loan, credit card balance, student loan, mortgage, or any other bill yet to be paid. In the United States, *wealth inequality* runs even more pronounced than income inequality

Household Wealth



Source: [Economic Policy Institute]() analysis of Bureau of Labor Statistics and Bureau of Economic Analysis data, January 2015

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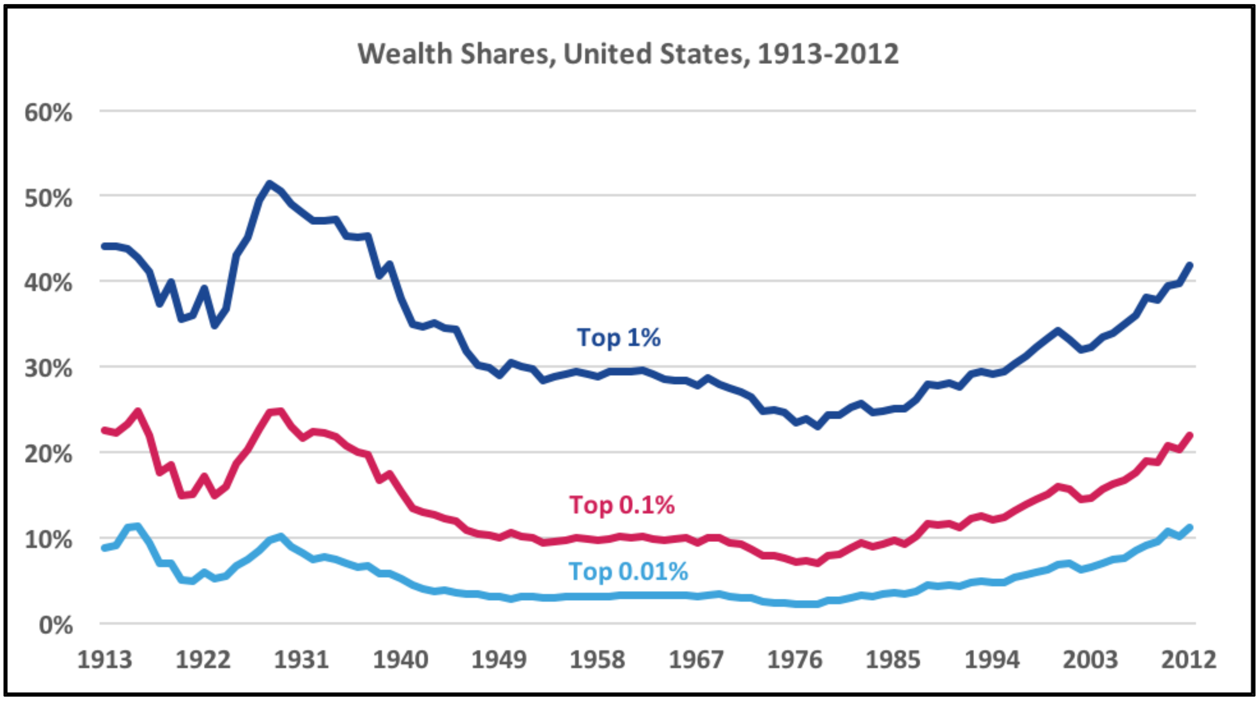
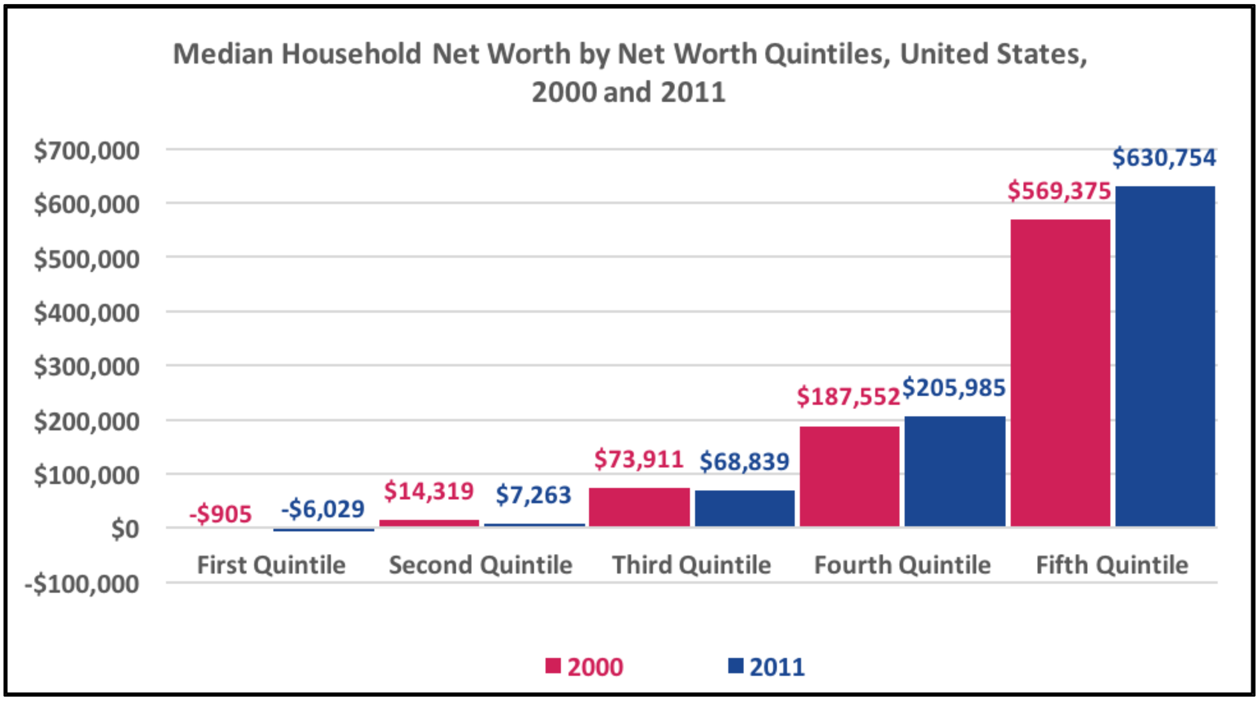


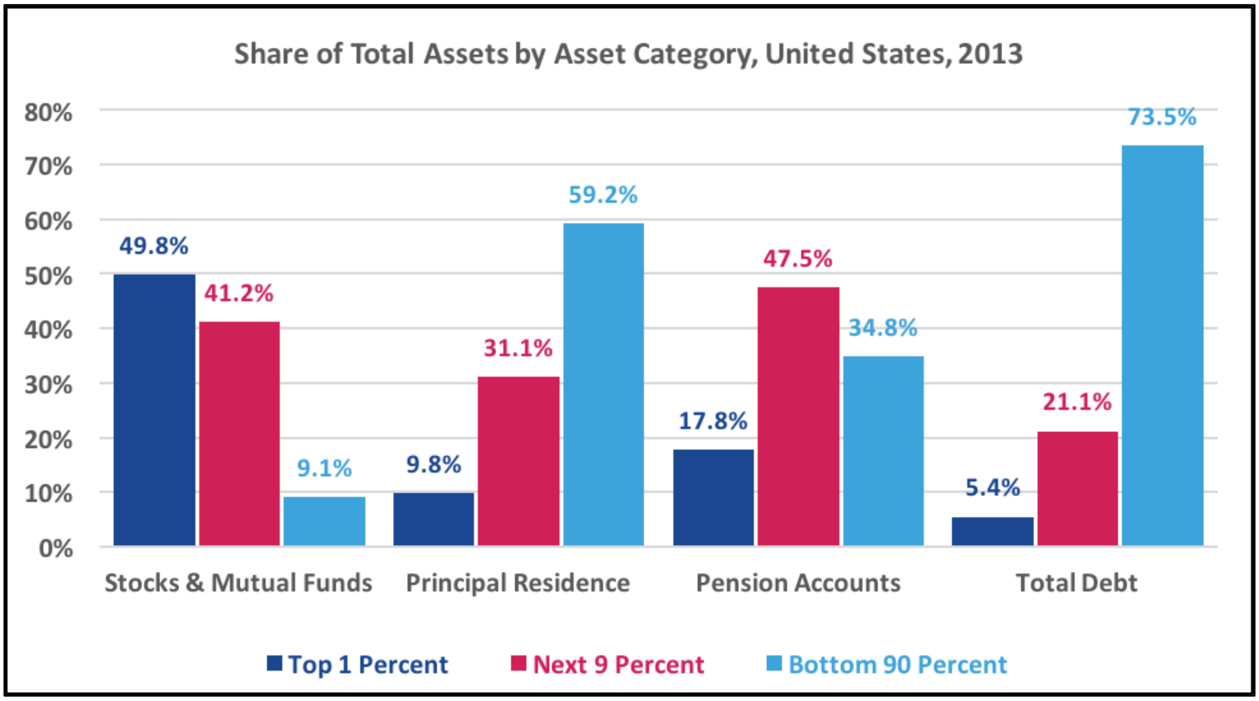
Source: Wealth Inequality in the United States since 1913: Evidence from Capitalized Income Tax Data, Emmanuel Saez and Gabriel Zucman, August 2015

The share of America's wealth held by the nation's wealthiest has changed markedly over the past century. That share peaked in the late 1920s, right before the Great Depression, then fell by more than half over the next three decades. But the equalizing trends of the mid 20th century have now been almost completely undone. At the top of the American economic summit, the richest of the nation's rich now hold as large a wealth share as they did in the 1920s.



Source: Distribution of Household Wealth in the U.S.: 2000 to 2011, U.S. Census Bureau, August 2014

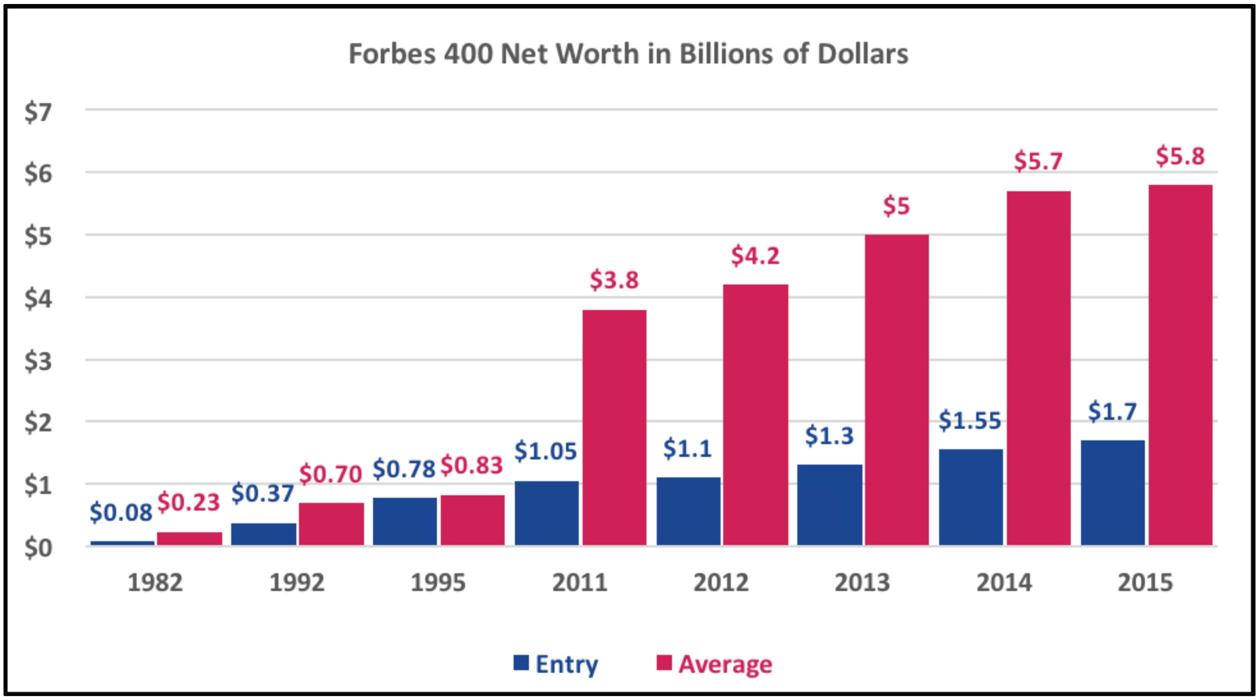
The 21st century has not been kind to average American families. The net worth — assets minus debts — of most U.S. households fell between 2000 and 2011. Only the top two quintiles of the nation's wealth distribution saw a net increase in median net worth over those years.



Source: Household Wealth Trends in the United States, 1962-2013: What Happened over the Great Recession?, Edward N. Wolff, December 2014

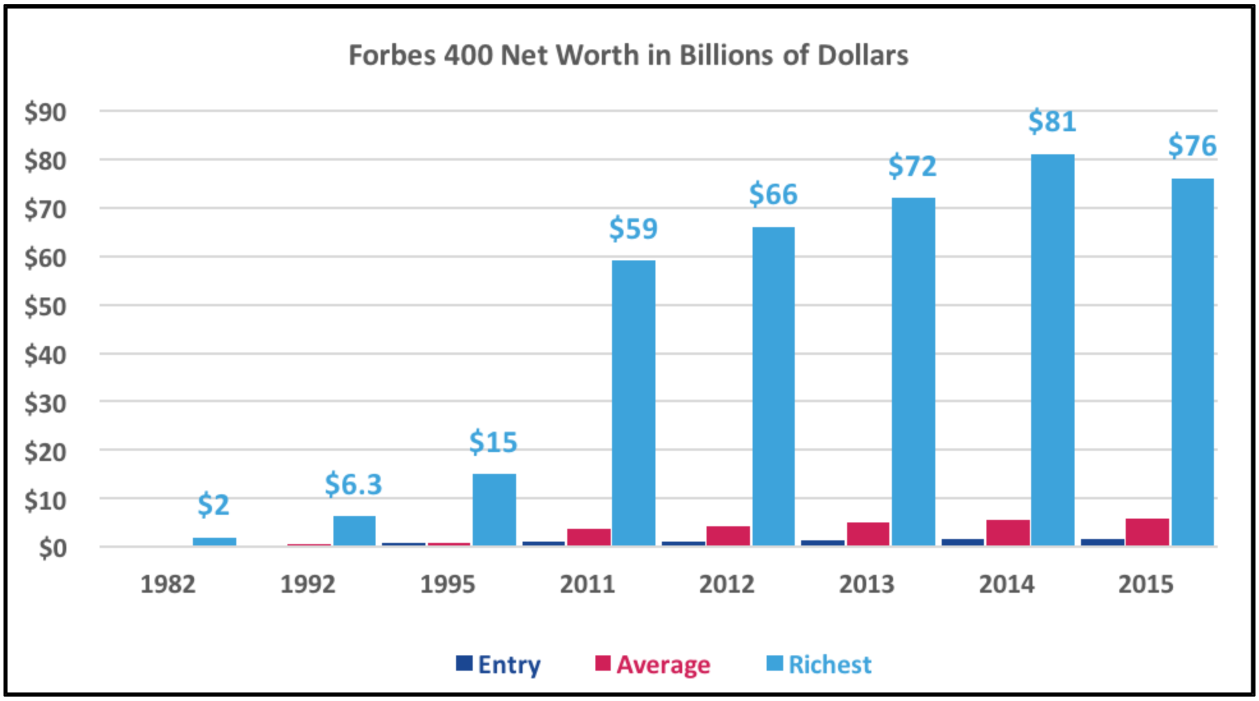
The rich don't just have more wealth than everyone else. The bulk of their wealth comes from different — and more lucrative — asset sources. America's top 1 percent, for instance, holds nearly half the national wealth invested in stocks and mutual funds. Most of the wealth of Americans in the bottom 90 percent comes from their principal residences, the asset category that took the biggest hit during the Great Recession. These Americans also hold almost three-quarters of America's debt.

The Forbes 400



Source: Combined Net Worth, Forbes 400, 1982-2015

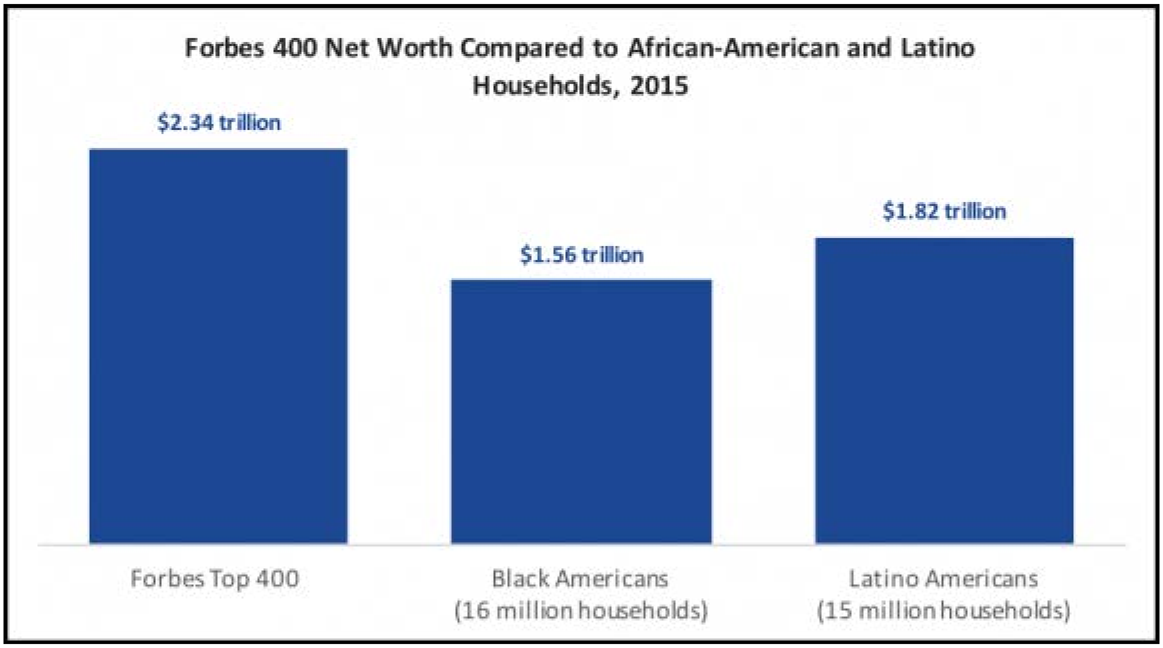
In 1982, the “poorest” American listed on the first annual *Forbes* magazine list of America’s richest 400 had a net worth of $80 million. The average member of that first list had a net worth of $230 million. In 2015, rich Americans needed net worth of $1.7 *billion* to enter the *Forbes* 400, and the average member held a net $5.8 billion, over 10 times the 1982 average after adjusting for inflation.



Source: Combined Net Worth, Forbes 400, 1982-2015

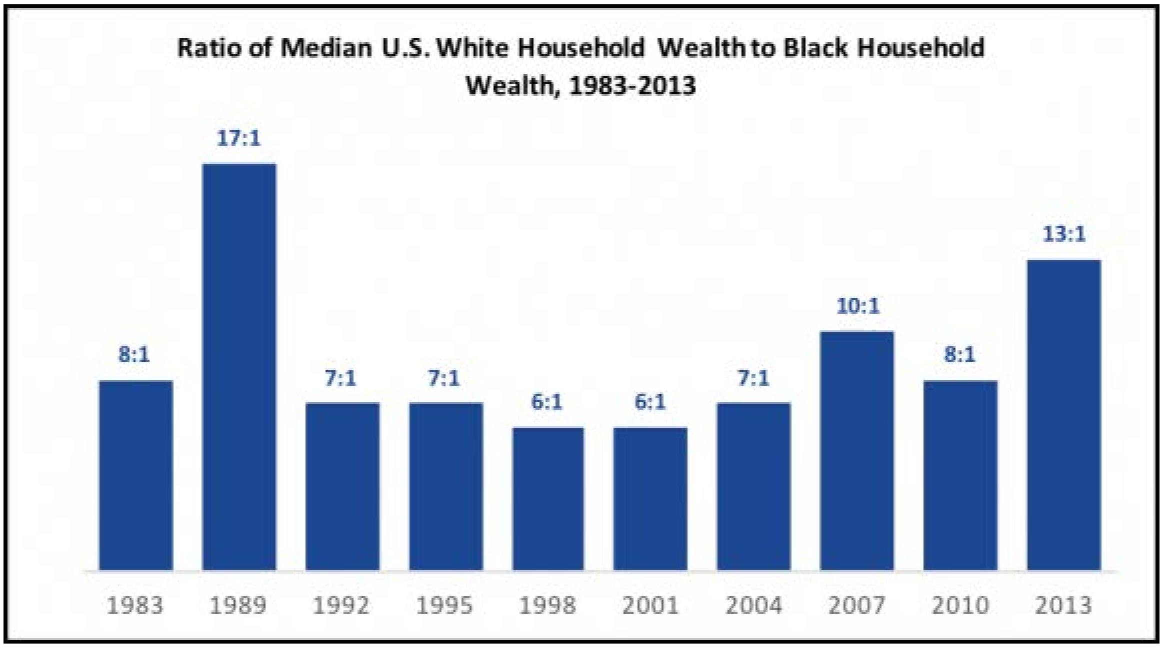
Inequality is skyrocketing even within the *Forbes* 400 list of America's richest. The net worth of the richest member of the *Forbes* 400 has soared from $2 billion in 1982 to $76 billion in 2015, far outpacing the gains at either the *Forbes* 400 entry point or average.

The Racial Wealth Divide



Source: Institute for Policy Studies, Billionaire Bonanza: The Forbes 400 and the Rest of Us, December 2015

The billionaires who make up the *Forbes 400* list of richest Americans now have as much wealth as all African-American households, plus one-third of America's Latino population, combined. In other words, just 400 extremely wealthy individuals have as much wealth as 16 million African-American households and 5 million Latino households.



Source: Pew Research Center analysis of Federal Reserve Survey of Consumer Finances data, December 2014

The Great Recession deepened the longstanding racial and ethnic wealth divide in the United States. The typical white family held a net worth six times greater than the typical black family at the end of the 20th century. That gap has now doubled. The wealth gap between white and Hispanic households has widened as well.

Prepared by: Marc Priester, Aaron Mendelson,
Sarah Anderson, and Sam Pizzigati

For more, see:

Inequality.org

Inequality.org is the premiere portal for information and analysis on wealth and income inequality. This web site is a project of the Institute for Policy Studies, an independent, multi-issue think tank based in Washington, DC.