

# Dailymarkets.com

## 1979-2007: Rich Got Richer, Poor Got Richer

By Mark Perry on April 25, 2011 |

1979-2007 Total Income Growth, By Income Quintile

Quintile	"Conventional Wisdom" – Private Market Income	Adjusting for Household Size, and including Taxes, Income Transfers, & Benefits
Bottom 20%	-33.0%	26.4%
2 <sup>nd</sup>	-8.9%	29.1%
Middle 20%	2.2%	36.9%
4 <sup>th</sup>	12.3%	40.4%
Top 20%	32.7%	52.6%

WASHINGTON – “Today, the Employment Policies Institute (EPI) announced the publication of new research by economists Dr. Richard V. Burkhauser of Cornell University, Dr. Jeff Larrimore of the Joint Committee on Taxation and Dr. Kosali Simon of Indiana University, the results of which appear in the most recent issue of the *Journal of Policy Analysis and Management*.

In his recent speech on deficit reduction, President Obama defended his support of higher taxes on wealthy Americans by echoing a widely-held view that the rich are getting richer while the poor and middle class are falling behind. But Burkhauser et al. find that this popular notion is mistaken; in reality, growth in after-tax household income has been substantial across the entire income distribution over the last thirty years (see table above).

“By leaving out additional sources of income – like fringe benefits or employer-provided health insurance – past studies have dramatically understated American households’ access to after-tax resources.” said Dr. Burkhauser. “**What we found is that the rich did get richer over the last 30 years, but so did the middle class, the working class and the poorest.**”

By taking into account previously unmeasured shifts in household size and the tax units in them, the taxes and transfers of government, and the increasing importance of fringe benefits, the research shows a picture of growth that spans all income groups.

Burkhauser continued: “For instance, the conventional wisdom holds that the poorest households saw their income shrink by a third over the last three decades. But accounting for income transfers and the value of fringe benefits, this research shows that the bottom 20 percent of households actually experienced after-tax income growth of more than 26 percent.”

Burkhauser concluded: “This isn’t a zero sum game, where one group wins at the expense of others. The growth in productivity of Americans in the top twenty percent of tax units increased the size of the economic pie sufficiently to register major gains across the entire distribution of after-tax income.”