Recovery widens income gap in U.S.

By Niraj Chokshi, Washington Post

The income gap in America has been widening for decades and the modest three-year recovery did little to change that, according to Census data.

The new data suggest that despite modest recoveries in many states, the middle class has been shrinking while households have been added in the lowest and highest income brackets. In many states and nationally, the highest income brackets saw more growth than the lowest, but households in the middle brackets continued to decline. The state-by-state data compare incomes from a pair of three-year periods: 2007 through 2009, a span that included the Great Recession, and 2010 through 2012, a period that included the ongoing and modest recovery.

For years, the wealthiest 1 percent have amassed income more quickly than the rest. From 1979 through 2007, for example, the top 1 percent of households saw income grow by 275 percent, according to a nonpartisan Congressional Budget Office study.

Compare that to the bottom fifth of households, which saw income gains of only 18 percent over that time. Recent Nobel Prize winner for economics Robert Shiller, who is known for creating a closely tracked home-price index, last month called income inequality “the most important problem that we are facing now today.” And just last week, President Obama’s nominee to lead the Federal Reserve, Janet Yellen, called income inequality “an extremely difficult and to my mind very worrisome problem.”

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