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Nation's wealthiest 1 percent triple their incomes, according to CBO report

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Oct. 25 (Bloomberg) -- The nation's richest citizens almost tripled their incomes between 1979 and 2007 as the inequality of the distribution of wealth in the United States expanded, according to a new government report.

The top 1 percent saw their inflation-adjusted, after-tax earnings grow by 275 percent during that period, according to the nonpartisan Congressional Budget Office.

Those at the other end of the spectrum, whose earnings put them in the bottom 20 percent of incomes, saw an 18 percent increase. The average increase for all households was 62 percent, the report said.

"The precise reasons for the rapid growth in income at the top are not well understood," the report said. "Researchers have offered several potential rationales, including technical innovations that have changed the labor market for superstars (such as actors, athletes and musicians), changes in the governance and structure of executive compensation, increases in firms' size and complexity, and the increasing scale of financial-sector activities."

The income gap was exacerbated by a decrease in the share of so-called government transfer payments -- which include Social Security, Medicare, food stamps and unemployment insurance -- that were received by the poorest Americans, the CBO said.

Households in the bottom quintile of incomes received about 35 percent of transfer payments in 2007, down from more than 50 percent in 1979. The change is attributable to increased spending on Social Security and Medicare, which is not restricted to the poor, CBO said.

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