US tax data shows falling wages, rising inequality

By Andre Damon and Tom Eley
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Average annual wages for US workers fell by $457 in 2009 and the median annual wage fell by $247 to $26,261, according to recently updated data from the Social Security Administration (SSA).

Meanwhile, the incomes of the top-earning corporate executives barely budged in 2009. The pay of the handful of individuals making over $50 million fell by about 7 percent 2009, despite the fact that stocks fell in value by 40 percent, demolishing the claim that executive bonuses are tied to corporate “performance.”

Last year, in the midst of 10 percent unemployment, a relative handful of Americans lived as royalty. In 2009 there were 3,689 individuals who made between $5 million and $10 million, and 1,618 who made $10 million or more, including 425 who made $20 million, and 72 who brought in $50 million or more

These 5,307 tax filers, equivalent to the population of a small town, together took home about $57.62 billion in 2009, about $8 billion more than the bottom 24 *million* households filing taxes, and a staggering 10 percent of all income earned in the US.

Behind this financial aristocracy are another 72,000 or so individuals and households that reported income of more than $1 million in 2009, and then another 1,611,000 who took home more than $200,000. These top three categories, only 1.7 million tax filers—the top 0.8 percent of those reporting income—cornered about 27 percent of all income, more than combined income of the bottom 100 million or so households, those making less than $40,000.

If anything, this portrait underestimates social inequality in the US, as the data addresses only earnings, and not accumulated wealth.

The sharp decline in wages in 2009 marks an intensification of a longer-term trend of growing social inequality. Adjusted for inflation, the median income in 2009 was $167 less than it was in 2001. The same nine years has been a bonanza for the extremely wealthy. In 1990, there were 739 people making over $5 million per year. By 2009 that figure had increased more than sevenfold, to 5,307.

The SSA data corroborates a recent study by economists Thomas Piketty and Emmanuel Saez, which found that two thirds of the total national increase in personal income between 2002 and 2007 went to the wealthiest 1 percent of society.

Significantly, the SSA data suggests that the official unemployment rate, currently at 9.6 percent, grossly underestimates joblessness. Between 2008 and 2009 the total number of wage earners fell by 4.5 million, from 155,434,562 to 150,917,733. But for the same period the Labor Department counted 2.6 million job losses.

The figures were first reported by David Cay Johnston, the Pulitzer Prize-winning former *New York Times* writer, on tax.com, the website of the nonprofit group Tax Analysts. Commenting on the data, Johnston pointed out the connection between the vast growth of social inequality over the past several years and policies that directly favor the wealthy. In previous writings, Johnston has pointed to the clear connection between the precipitous drop in the effective tax rate for the wealthiest 400 US families, and the concurrent tripling of their wealth between 1994 and 2007.

Last year’s sharp fall in wages is the outcome of an ongoing campaign of restructuring and wage-cutting by US corporations, which dumped millions of workers from their payrolls while forcing those remaining to work harder for less. The Obama administration spearheaded this drive with the forced bankruptcy and restructuring of General Motors and Chrysler, which included a 50 percent wage cut for newly hired auto workers.

The trend continues. The Bureau of Labor Statistics this week reported that worker productivity surged in the second quarter, even as labor costs continued to decline.