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# Income Inequality Widens, Poor Take Big Hit During Recession

HOPE YEN | 09/28/09 03:46 PM | 

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WASHINGTON — The recession has hit middle-income and poor families hardest, widening the economic gap between the richest and poorest Americans as rippling job layoffs ravaged household budgets.

The wealthiest 10 percent of Americans — those making more than \$138,000 each year — earned 11.4 times the roughly \$12,000 made by those living near or below the poverty line in 2008, according to newly released census figures. That ratio was an increase from 11.2 in 2007 and the previous high of 11.22 in 2003.

Household income declined across all groups, but at sharper percentage levels for middle-income and poor Americans. Median income fell last year from \$52,163 to \$50,303, wiping out a decade's worth of gains to hit the lowest level since 1997.

Poverty jumped sharply to 13.2 percent, an 11-year high.

"No one should be surprised at the increased disparity," said Richard Freeman, an economist at Harvard University. "Unemployment hurts normal workers who do not have the golden parachutes the folks at the top have."

Analysts attributed the widening gap to the wave of layoffs in the economic downturn that have devastated household budgets. They said while the richest Americans may be seeing reductions in executive pay, those at the bottom of the income ladder are often unemployed and struggling to get by.

Large cities such as Atlanta, Washington, New York, San Francisco, Miami and Chicago had the most inequality, due largely to years of middle-class flight to the suburbs. Declining industrial cities with pockets of well-off neighborhoods, such as Pittsburgh, Cleveland and Buffalo, also had sharp disparities.

Up-and-coming cities with growing middle-class populations, such as Mesa, Ariz., Riverside, Calif., Arlington, Texas, and Henderson, Nev., were among the areas showing the least income differences between rich and poor.

Story continues below ↓

It's unclear whether income inequality will continue to worsen in major cities, said William H. Frey, a demographer at the Brookings Institution. Many Americans are staying put for now in traditional cities to look for jobs and because of frozen lines of credit.

"During the years of the housing bubble, there was middle-class movement from unaffordable metros with high-income inequality," Frey said. "Now that the bubble burst, more of the population may be headed back to the high-inequality areas, stemming their middle-class losses."

Among other findings:

\_Income at the top 5 percent of households – those making \$180,000 or more – was 3.58 times the median income, the highest since 2006.

\_Between 2007 and 2008, income at the 50th percentile (median) and the 10th percentile fell by 3.6 percent and 3.7 percent, respectively, compared with a 2.1 percent decline at the 90th percentile. Between 1999 and 2008, income at the 50th and 10th percentiles decreased 4.3 percent and 9.0 percent, respectively, while income at the 90th percentile was statistically unchanged.

\_Plano, Texas, a Dallas suburb, had the highest median income among larger cities, earning \$85,003. Cleveland ranked at the bottom, at \$26,731.

The findings come as the federal government considers new regulations to rein in executive pay at companies in which it has invested. President Barack Obama also typically cites the need for higher taxes on the wealthy to pay for health care overhaul and other measures, arguing that the wealthy have disproportionately benefited from tax cuts during the Bush administration.

The 2008 figures come from the Current Population Survey and the American Community Survey, which gathers information from 3 million households. The government first began tracking household income in 1967.

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Associated Press writer Frank Bass contributed to this report.

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