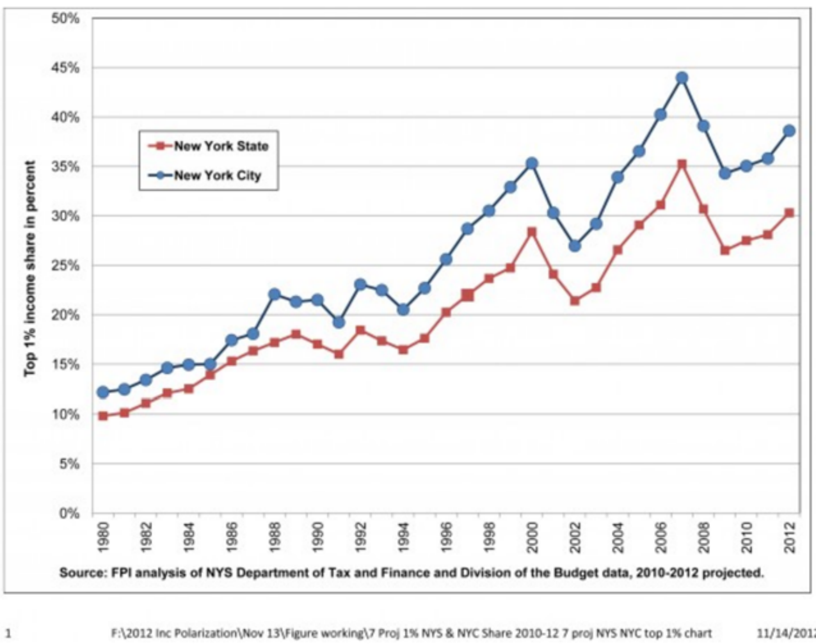
Study Points to Continued Income Polarization in New York

Georgia Kral | November 15, 2012 4:00 AM VIDEO ↓

The gap between high and low-income New Yorkers has been continuously growing, according to a report released today by the Fiscal Policy Institute, a nonpartisan, nonprofit research organization. From the late 1970s to the mid 2000s in New York, inflation-adjusted household incomes didn't grow at all for those in the bottom 20 percent, the report said. At the same time, for the wealthiest five percent, average incomes more than doubled.

"No state is more polarized than New York and no large city is more polarized than New York City," the report, "Pulling Apart: The Continuing Impact of Polarization in New York State," reads.



The share of total income going to the top one percent in New York State and New York City rose sharply between 1980 and 2010. (2011 and 2012 projected.) Graph courtesy of the Fiscal Policy Institute.

The report also says that while the economy has grown in New York state over the past two decades, most workers have not shared in that growth.

Following the 2008 recession, some top salaries dropped, but the report, using income tax projections from the state Division of the Budget, estimates that the top one percent of income shares in New York City and New York State started to rise again in 2010. In addition, poverty rates have stayed high for decades and have risen since the recession began.

James Parrott, the principal author of the report, said the gap between high and low-income earners also strains the middle class.

"Polarization is a major factor behind the erosion in living standards for the middle class–economic growth is no longer as broadly shared as it used to be," he said. "This result is not inevitable and can and should be addressed."

The reasons for the widening income disparities are many, but the report singles out three strong factors: growth in wage inequality, government policies and the expansion of capital income (dividends, interest, rent, royalties) relative to labor income.

The report also posits some ways that the growing gap can be addressed, including increasing the minimum wage.

"Increasing the minimum wage is front and center in Albany right now," said Parrott. "Increasing it would be a great first step. As the region and the state begins to rebuild after Sandy, let's think about how polarization can be addressed as we go forward."

Earlier this week, a *MetroFocus* special on wealth and income in New York City was broadcast, following the PBS Independent Lens premiere of "*Park Avenue: Money, Power & the American Dream*," a film by Academy Award-winning filmmaker Alex Gibney. *MetroFocus* host Rafael Pi Roman spoke with economist and author Diana Furchtgott-Roth of the Manhattan Institute and Jeff Madrick, senior fellow at the Roosevelt Institute and a former economics columnist for *The New York Times*.

WATCH VIDEO:

MetroFocus host Rafael Pi Roman interviewed Diana Furchtgott-Roth of the Manhattan Institute and Jeff Madrick, senior fellow at the Roosevelt Institute about wealth and income in New York City.

Furchtgott-Roth said raising the minimum wage was not the answer.

"We need to preserve low wage jobs so that people at the bottom of the income scale can get their foot on the first rung of the career ladder. It is not helpful to have a minimum wage job at $8 dollars an hour or $10 dollars an hour," she said. "We're not going to have jobs at the bottom rise at the same rate as jobs at the top. What we need to do is make sure people can move through these different income classes."

To which Madrick replied:

"It's hard to make the case that the rich are taking money out of the pockets of the poor, but what's very clear is that the rich are getting much richer much faster than everybody is, including the poor."

Tags: economy, Fiscal Policy Institute, income inequality, Jobs

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This is what the "Reagan Revolution" initiated, not created. We are such an impatient society that we really have a problem foretelling the long-term effects of a particular economic policy The major reason is that our poltical electoral timeframe (from the executive branch point of view) does not translate into effective monetary or tax policy. We have Reps and Senators that can serve a lifetime if re-elected, but a President, who in our current political environment, trys to set the aganda to no avail. Every President is trying to run or manage a prior administrations or possibly two or three previous administrations AND prior Congresses tax and monetary policy (e.g. the effects of Obama's policies may not be truly realized until 2022!).
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