



JOINT ECONOMIC COMMITTEE DEMOCRATS



SENATOR JACK REED (D-RI) – RANKING DEMOCRAT

ECONOMIC POLICY BRIEF

SEPTEMBER 2005

HOUSEHOLD INCOME UNCHANGED IN 2004, BUT DOWN SINCE 2000

New estimates released by the Census Bureau show that median household income (after inflation) remained essentially unchanged between 2003 and 2004. From 2000 to 2004, median household income fell by 3.6 percent. This drop in median income occurred despite a 2.3 percent annual increase in inflation-adjusted gross domestic product (GDP) during the same period. This brief reports on national and state income trends since 2000.

The National Picture

- Median household income (after inflation) was about \$1,670 lower in 2004 than it was in 2000, a decline of 3.6 percent.
- The decline in median household income of nearly 1 percent per year on average since 2000 stands in sharp contrast to the strong growth of the 1990s (**Chart 1**).
- The real income of American households has declined since 2000 across the income distribution (see **Chart 2**). The bottom quintile, or poorest fifth of all households, experienced the greatest decline in average real income (7.9 percent) between 2000 and 2004. The average real income of the richest fifth of all households fell by 2.9 percent over the same time period.
- The share of aggregate household income going to the bottom 20 percent of households reached an all-time low of 3.4 percent in 2004, while the share of aggregate income enjoyed by the 20 percent of households with the highest incomes matched its all-time high of 50.1 percent (The Census Bureau reports shares of household income dating back to 1967.) The 5 percent of households with the very highest incomes had 21.8 percent of aggregate household income in 2004, also an all-time high. The share of income enjoyed by the top 5 percent of households exceeded the share going to the bottom 50 percent of households.
- Median household income has decreased since 2000 by different amounts among households of different races (see **Chart 3**). Median household income declined by 2.1 percent among non-Hispanic whites, by 7.4 percent among blacks, and by 3.9 percent among Hispanics.
- Productivity in the nonfarm business sector has grown at a robust 3.4 percent average annual rate from 2000 through 2004, but real median earnings of both male and female full-time, year-round workers have been virtually flat over the same period. The real median earnings of female full-time, year-round workers grew at less than a one percent annual rate, while male earnings did not grow at all.
- Since 2003, the median earnings of full-time, full-year working women declined by 1 percent and the median earnings of full-time, full-year working men declined by 2.3 percent. Because male earnings fell by more than female earnings, the earnings gap closed slightly. In 2004 the ratio of women's to men's earnings among full-time, full-year workers was 0.77, equal to its all time high.

The State Picture

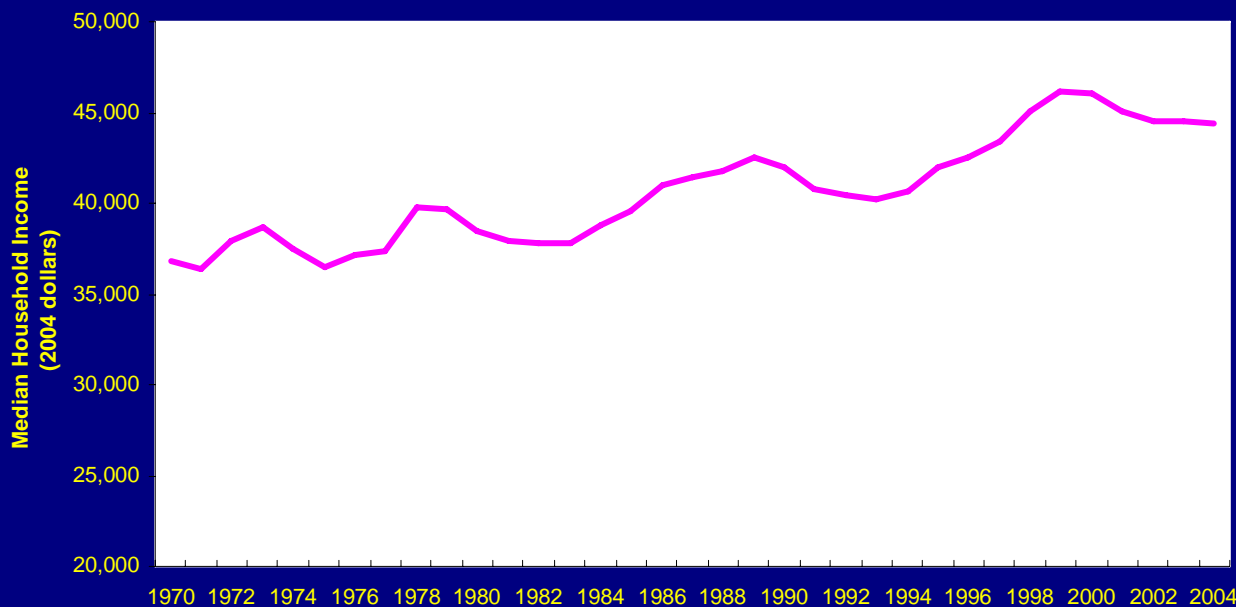
Following Census guidance on how to use state level data, this report compares the two-year average for 1999-2000, the last years of the Clinton Administration, to the two-year average for 2003-2004 to analyze changes in household income under President Bush. Over that period:

- In 18 states, real (inflation-adjusted) income for the average household fell significantly (**Table 1**). In 17 of these states, the drop in median household income exceeded 5 percent. Households living in Michigan experienced the greatest decline in

incomes. There, the median household income declined by 13.3 percent. Only one state (Idaho) saw a significant increase in median household income.

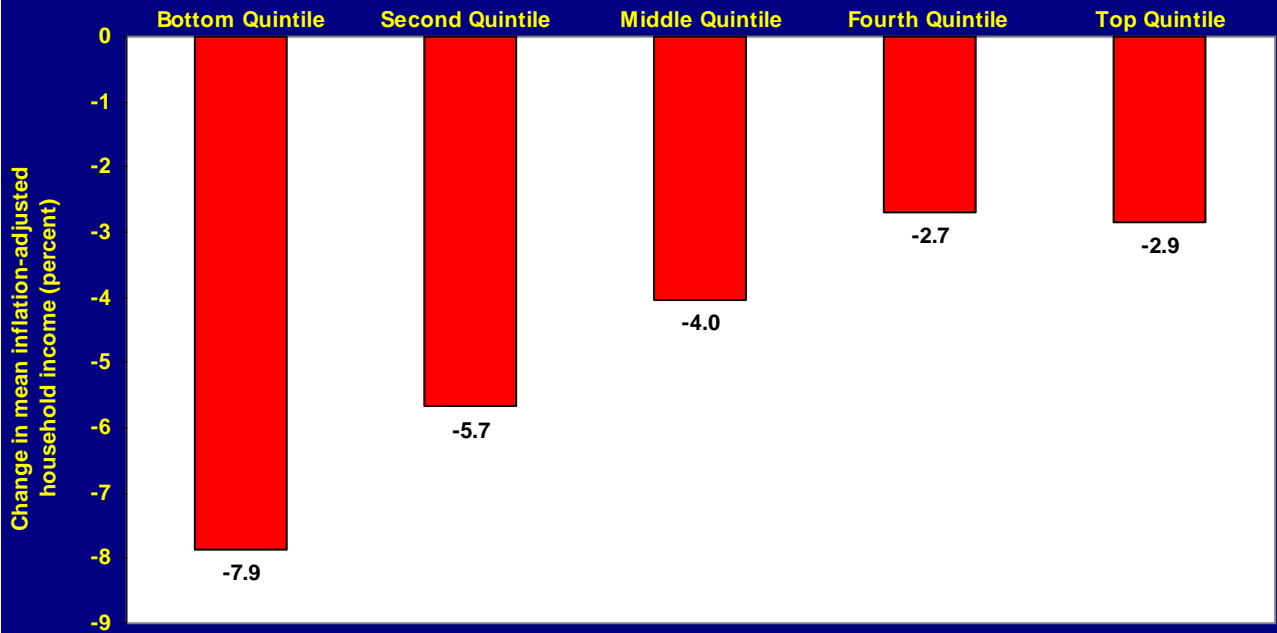
- Almost half the states in the South experienced a statistically significant decline in median household income.
- The Midwest region was hit the hardest. States in that region saw median household income fall by an average of 8 percent.

Chart 1 - Real Median Household Income Has Slipped Since 2000, Following Strong Growth During the 1990s



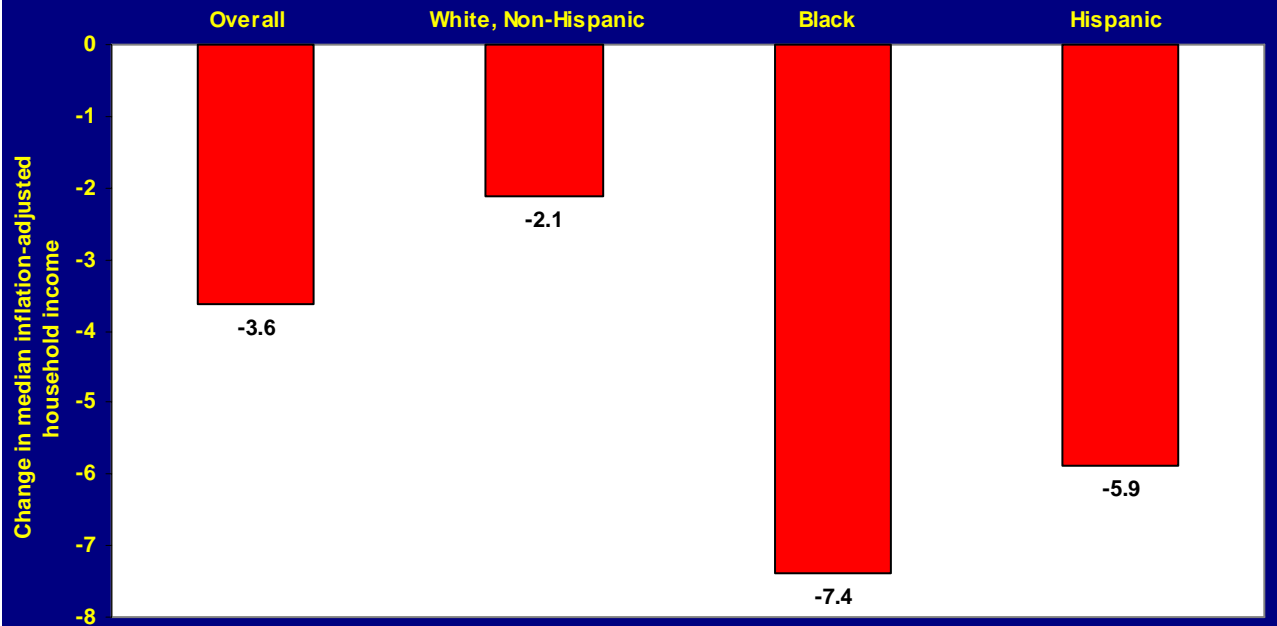
Source: Bureau of the Census, U.S. Department of Commerce.

Chart 2 - Mean Household Income for All Income Groups Has Declined since 2000



Note: Each quintile contains 20 percent of households ranked by household income.
 Source: Bureau of the Census, U.S. Department of Commerce.

Chart 3 - Real Median Household Income Has Declined the Most for Blacks and Hispanics since 2000



Source: Bureau of the Census, U.S. Department of Commerce.

Table 1			
Median Income of Households, by State, 1999-2000 and 2003-2004			
State	2-year average (1999-2000)	2-year average (2003-2004)	Percent Change (from 1999-2000 to 2003-2004)
	2004 dollars	2004 dollars	% change
United States	46,094	44,436	-3.6 *
Alabama	39,973	37,418	-6.4 *
Alaska	58,112	54,224	-6.7 *
Arizona	42,786	43,017	0.5
Arkansas	33,109	33,913	2.4
California	50,403	49,927	-0.9
Colorado	53,761	51,170	-4.8
Connecticut	56,190	55,916	-0.5
Delaware	54,049	49,152	-9.1 *
District of Columbia	44,524	44,840	0.7
Florida	41,618	40,287	-3.2
Georgia	45,324	42,274	-6.7 *
Hawaii	53,493	54,841	2.5
Idaho	40,917	43,970	7.5 *
Illinois	51,521	46,249	-10.2 *
Indiana	45,557	42,946	-5.7 *
Iowa	45,774	43,004	-6.1 *
Kansas	43,686	43,204	-1.1
Kentucky	39,010	36,786	-5.7 *
Louisiana	35,354	35,424	0.2
Maine	42,463	39,737	-6.4 *
Maryland	59,497	55,519	-6.7 *
Massachusetts	50,581	52,347	3.5
Michigan	51,082	44,280	-13.3 *
Minnesota	56,412	55,184	-2.2
Mississippi	37,218	34,269	-7.9 *
Missouri	48,187	43,516	-9.7 *
Montana	35,567	34,506	-3.0
Nebraska	44,789	44,458	-0.7
Nevada	48,594	46,864	-3.6
New Hampshire	54,032	56,973	5.4
New Jersey	55,831	56,499	1.2
New Mexico	37,708	37,758	0.1
New York	45,010	44,301	-1.6
North Carolina	42,128	39,323	-6.7 *
North Dakota	38,254	40,379	5.6
Ohio	45,943	43,822	-4.6 *
Oklahoma	36,310	38,274	5.4
Oregon	46,329	41,971	-9.4 *
Pennsylvania	44,531	44,109	-0.9
Rhode Island	47,354	47,021	-0.7
South Carolina	41,270	39,130	-5.2
South Dakota	40,310	40,887	1.4
Tennessee	39,399	38,377	-2.6
Texas	43,101	40,826	-5.3 *
Utah	52,177	50,785	-2.7
Vermont	45,283	45,955	1.5
Virginia	51,763	53,847	4.0
Washington	49,094	49,302	0.4
West Virginia	32,734	33,465	2.2
Wisconsin	50,610	46,722	-7.7 *
Wyoming	42,845	44,577	4.0

*Statistically different from zero at the 90-percent confidence level

Source: U.S. Census Bureau