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JOINT ECONOMIC COMMITTEE

VICE CHAIRMAN JIM SAXTON

PRESS RELEASE

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INCOME MOBILITY PROVIDES CONTEXT FOR INCOME AND TAX CHANGES

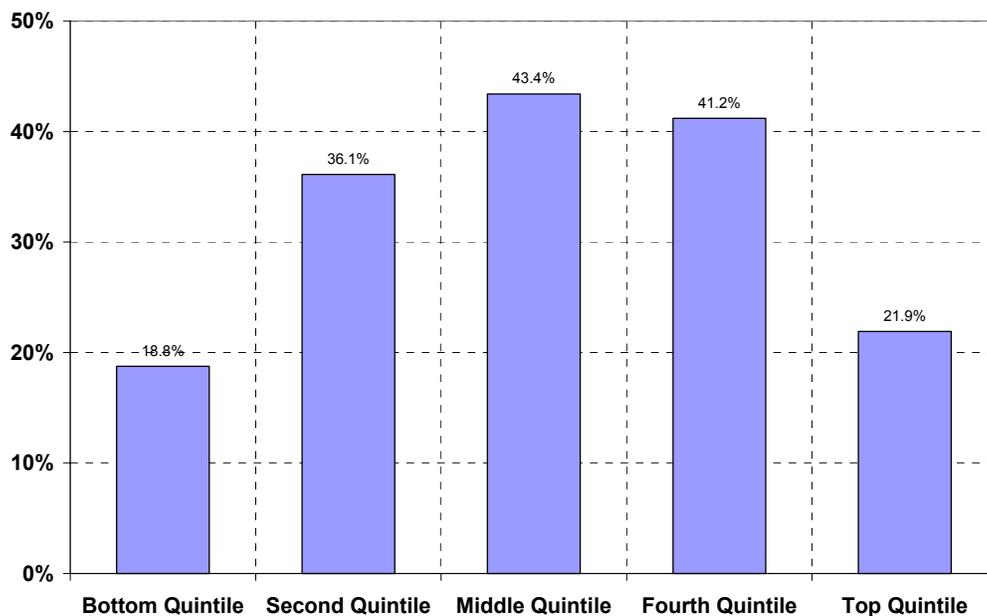
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Contact: Christopher Frenze
Chief Economist to the V.C.
(202) 225-3923
Stephen Thompson
Radio & T.V.
(202) 225-4765

WASHINGTON, D.C. – Analysis of annual changes in income and taxes should take into account the considerable movement of households between different income levels reflected in Census Bureau data that Vice Chairman Jim Saxton released today. The data from the Census Bureau show that about one-third of households change income groups in as little as one year, a pattern that has remained fairly constant over the years.

Analysis of annual income and tax changes is often based on an approach that ranks households from lowest to highest income, and then divides them into fifths. On this basis, sweeping statements are made about annual changes in income and taxes that often ignore the fact that many households move from one fifth to another in as little as one year. Roughly 40% of households in the middle three fifths moved to a different income group between 1998 and 1999. Although some will return in subsequent years and others will not, it is also true that most households do not remain in the same fifth for extended periods of time.

“When reviewing data on annual changes in income and taxes, it must be recalled that the income groups examined are not composed of the same people over time,” Saxton said. “The American economy has a significant degree of flexibility and opportunity, and this is reflected in data on income mobility. America is not a caste system where people are cemented into a particular income group for extended periods of time,” Saxton concluded.

Proportion Moving to a Different Quintile
(1998-1999)



Source: U.S. Census Bureau

For more information on income mobility, please visit our website at www.house.gov/jec.

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