



CONGRESS OF THE UNITED STATES

# JOINT ECONOMIC COMMITTEE

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## PRESS ADVISORY

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### Mixed 1996 Income Gains Reported by Census Bureau

WASHINGTON, DC -- The 1996 income data just released by the **Census Bureau** portray a mixed picture of middle income gains that does not reflect uniform progress. According to the release, the business cycle expansion pushed real median family income up 1.2 percent in 1996. This is positive news that improves the less impressive trend of recent years. Over the last four years (1993-96), this family income measure has grown at an average annual rate of 0.85 percent -- about half the rate attained in the business cycle expansion during the previous decade.

**Income inequality** remains at the highest levels in any decade since World War II. In recent years, the income share of the top fifth of households has reached its highest levels in the post war period, while the income share of the bottom fifth remains at its lowest levels. Furthermore, the average real income of the bottom twenty percent was unchanged in 1996.

According to the Census Bureau, the 1.2 percent increase in real median household income still leaves it 3.0 percent below its 1989 level (the most recent business cycle peak). Furthermore, this 1996 increase in real median household income was largely confined to those residing in cities.

- **The Census Bureau finds that there was no statistically meaningful income growth outside of central cities. Separately, the Census Bureau found that the poverty rate was unchanged in 1996.**
- **The Census report states, "The real median income of households located in the suburbs of metropolitan areas and outside metropolitan areas remained statistically unchanged between 1995 and 1996."**
- **Furthermore, of the four main regions in the U.S., only the South reflected a statistically meaningful increase in middle income levels in 1996.**

While real median family income is trending upward, albeit at a modest pace, **real median male earnings actually declined in 1996:**

- **Despite a healthy economic expansion, 1996 marks the fourth decline in middle class male earnings in as many years.**
- **These data are consistent with Bureau of Labor Statistics data showing declines and stagnation in real median weekly earnings in recent years.**
- **Although recovering somewhat in 1996 female earnings remain below their 1992 level.**

"The current business cycle expansion has produced a number of economic benefits since it began in the second quarter of 1991," Chairman Saxton said. "Job creation is up, unemployment is down, and output growth has picked up

especially in the last several quarters. This economic expansion has also brought a flood of tax revenue that has sharply reduced the budget deficit enlarged by the previous recession. However, I continue to be concerned about the slow progress in growth in middle class incomes. The declines in male earnings for the fourth year in a row are worrisome," stated Saxton.

Saxton continued, "Finally, 1996 data confirm that income inequality in recent years has reached the highest levels in any four-year period since World War II. Whatever else can be said about it, there is no evidence that policy changes in recent years have had any effect on inequality, despite any assertions to the contrary."

"To the extent policy has had a beneficial effect on the economic expansion, credit should be given to the Federal Reserve's noninflationary monetary policy which has brought down inflation and interest rates. Aside from this, and some spending restraint, politicians should give credit where credit is due, not to Washington policies, but to the hard working American people," Saxton concluded.

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