CONGRESS TOLD TO FIX “BROKEN” POLICIES TO HELP FAMILIES GET AHEAD

The real annual income of typical working families in 2007 remained below its 2000 level for the seventh consecutive year because income growth has been slow to recover from the 2001 recession, according to Jared Bernstein, an economist at the Economic Policy Institute (EPI), a Washington, D.C.-based nonprofit research group.

“If the economy is expanding, if productivity is increasing smartly, if unemployment is low, then most families should be benefiting from the economy’s overall growth,” Bernstein tells members of Congress at a hearing by a subcommittee of the House Appropriations Committee. In recent years, however, “it has been taking longer for families to recover the real income lost in [a] downturn. The mechanisms which historically could be counted upon to ensure a fair distribution of the fruits of growth are broken.” He urges Congress to fix national economic policies that “incapacitate working families’ ability to get ahead.”

Real median family income grew 2.2 percent per year in the latter half of the 1990s, but has fallen an average of 0.3 percent per year so far this decade and may not show a gain if another recession hits, according to Bernstein, citing Census Bureau data. Meanwhile, income of the top 5 percent of households has grown rapidly. From 2003 to 2005, the share of all pre-tax income going to the highest income families grew by $400 billion, or $3,660 for each of the 109 million households in the other 95 percent of the income scale, Bernstein says, based on an analysis of a recent Congressional Budget Office (CBO) report on household income.

Bernstein urges Congress to strengthen workers’ collective bargaining and unionization rights by enacting the Employee Free Choice Act (H.R. 800/S. 1041); making full employment a national economic policy; reforming health care and pension systems; and increasing federal funding for education and training as well as infrastructure.

Disputing claims that most families have not been able to keep up financially with inflation, another witness says average real after-tax income of middle income households increased 21 percent from 1979 to 2005. “Despite the rise in inequality during the last few decades, real incomes have risen significantly in the middle of the income distribution,” according to Alan Viard, a resident scholar at American Enterprise Institute, another Washington, D.C., “think tank.” Real incomes have also risen at the bottom of the income distribution, although at a very slow pace. In 2005, real after-tax income was 6 percent higher than in 2000 and 14 percent higher than in 1995, Viard says, citing the CBO study. Annual income can be a misleading measure of well-being, because it does not show upward economic mobility of families over time. “A significant portion of households with low incomes in any given year experience large income gains in later years.”