

ECONOMY

Median U.S. Household Income Up for 2nd Straight Year

By BINYAMIN APPELBAUM SEPT. 12, 2017

WASHINGTON — Despite eight years of economic growth since a brutal recession, some politicians and economists have worried that many Americans have not felt the benefits of the expansion.

On Tuesday, the Census Bureau painted a brighter picture, suggesting that the recovery had shifted into a new phase in recent years and is now distributing its benefits more broadly.

American households saw strong income growth last year, the bureau reported, and the gains stretched across the economic spectrum. A closely watched measure, median household income, jumped for the second straight year, reaching \$59,039 — a 3.2 percent increase after inflation.

The bureau also reported that the percentage of Americans living in poverty continued to fall last year, while the share with health insurance continued to increase.

The data may sharpen the political confrontation between President Trump, who is pressing to overhaul the nation's economic policies, and Democrats, who now have more ammunition to argue that the changes Mr. Trump seeks would mess with success.

Mr. Trump campaigned on a pledge to lift the nation's fortunes and to repair what he described in his inaugural address as "this American carnage." He has called for cuts to federal taxes and spending, broad reductions in regulation and limits on foreign trade.

The focus for now is on tax cuts. "Our painful tax system has become a massive barrier to America's economic comeback," Mr. Trump said last week in North Dakota. He dined Tuesday night with senators from both parties, seeking to build bipartisan support.

But some Democrats said the Census Bureau's new figures reinforced their determination to resist.

"We need to be building on the success of the past eight years, not abandoning the progress we have made as a country and the American people who worked so hard to get us there," said Representative John Yarmuth, a Kentucky Democrat who is the ranking member of the House Budget Committee.

The Federal Reserve is also closely watching the health of the economy as it debates how soon to resume hiking its benchmark interest rate.

Household incomes are outpacing wage growth because millions of Americans have returned to the work force, a vivid illustration of the old maxim that a job is the best antipoverty program. The economy added roughly 2.2 million jobs last year and an additional 1.4 million in the first eight months of this year.

The Census Bureau report is the second in a row to find strong income growth. A year ago, the bureau reported that the median income in 2015 had risen by 5.2 percent, the largest jump since record keeping began in 1967. The 2016 gains described on Tuesday pushed the median to the highest level on record, topping

the previous peak in 1999.

But Census Bureau officials cautioned that those figures were not directly comparable because of a change in its methodology in 2013 that has tended to increase measured incomes.

The Economic Policy Institute, a liberal research organization based in Washington, estimated that without the change in methodology, median household income in 2016 was still 2.4 percent lower than in 1999 — and 1.6 percent below the level reached in 2007, before the recession began.

The Census Bureau report also pointed out continuing challenges, including income inequality. The average household income for the poorest fifth of households fell by \$571 over the decade that ended last year, adjusting for inflation. Over the same period, the average income for the wealthiest fifth of households rose by \$13,479, adjusting for inflation.

Racial disparities also have increased. The bureau reported that the median income for African-American households has fallen by 1.6 percent since 1999. The adjusted numbers provided by the Economic Policy Institute pegged the drop at 7.5 percent.

The annual report is based on a survey of 95,000 households.

“Just as in 2015, 2016 is going on record as another year of massive income inequality,” said Mary Coleman, senior vice president at Economic Mobility Pathways, a Boston nonprofit group that focuses on female and family poverty. “There was no meaningful reduction in income inequality.”

The good news is that income inequality, by some measures, is no longer increasing.

The details of the report help to explain the reasons. Household incomes increased because more people were working, and the gains in employment have been concentrated among workers with less education, driving income gains on the

lower rungs of the economic ladder.

“Households are doing better because more people are working and more people are working full time,” said Jed Kolko, chief economist at the jobs site Indeed.com.

But the increases in household income also reflected investment gains. The share of income that came from sources other than wages increased markedly last year, to 21.8 percent, from 21.1 percent in 2015. That kind of income flows mostly to households on the upper rungs of the ladder.

Income inequality is at a very high level by historical standards. Some economists see evidence that the uneven distribution of income and wealth is an impediment to economic growth.

It also means the lives of Americans are increasingly different, depending on their economic fortunes. For example, mortality rates are climbing for middle-aged white Americans with no more than a high school education, a trend that the Fed chairwoman, Janet L. Yellen, described this year as “very shocking.”

The Fed has curtailed its efforts to stimulate economic growth, concluding that monetary policy has done what it can. The Fed is expected to announce next week, after a meeting of its policy-making committee, that it will begin to reduce its bond holdings, a final legacy of its stimulus campaign.

While the distribution of income didn’t change last year, the rising tide lifted more people from poverty. The Census Bureau reported that 12.7 percent of households lived in poverty in 2016, representing a total of 40.6 million people. That was down from 13.5 percent of households and 43.1 million people in 2015. But the rate remains slightly higher than the 12.5 percent rate in 2007, before the recession, and significantly higher than the 11.3 percent rate in 2000.

“The challenge for policy makers now is to build on the last few years’ progress and not worsen poverty and inequality,” said Robert Greenstein of the Center on Budget and Policy Priorities, a liberal think tank.

The data also showed that the ranks of those with health insurance coverage continued to grow last year. Only 8.8 percent of the population lacked insurance for the full year, down from 9.1 percent in 2015.

Montana and Louisiana expanded their Medicaid programs in 2016, joining 29 other states in accepting increased federal financing under the Affordable Care Act. Private coverage also increased as companies hired more workers and offered better benefits.

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