Study: Income disparity grows fastest here

By Don Michak
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The income gap between the rich and everyone else grew faster in Connecticut than in any other state over the last three decades, according to a new study based on U.S. Census and federal and state income tax data.

The study also says that as a result, "a state whose middle and working classes once stood closer to prosperity than almost anywhere in America has become one of its most unequal places."

Issued Thursday by two nonprofit organizations based in New Haven and Hartford — Connecticut Voices for Children and the Connecticut Association for Human Services — the study says income inequality in Connecticut is notable for its depth, which it says is second only to that in New York, and its rate of increase, the "fastest among all states."

"What was once a place with prosperous middle and working classes who were within shouting distance of the upper class now stands as the epitome of rising inequality in America," it says.

The study found that since 1977 the greatest share of income gains has gone to the state's wealthiest 1 percent.

Their gains have "outpaced even the very well off," according to the study, which says the share of total state adjusted gross income going to the top 1 percent increased from 17 percent to 28 percent over just the last two decades.

The study says that, adjusted for inflation, average incomes of the top fifth of households more than doubled from the peak of the 1977-79 business cycle to the peak of the 2005-07 cycle, from $107,554 to $226,236. Those in the middle fifth saw their incomes rise by $22,190, while those at the bottom fifth lost $981.

"While the incomes at the 95th to 99th percentiles — all solid six-figure earners — have enjoyed modest growth over the last two decades, the top 1 percent incomes have soared, and now constitute nearly 30 percent of all Connecticut adjusted gross income," it says.

The authors say their analysis excluded tax returns from nonresidents and partial-year residents and focused only on full-year state residents. While that doesn't capture all state adjusted gross income, they add, "it more accurately captures inequality in Connecticut, and not, say, in New York."

They also say that by definition "adjusted gross income" leaves out certain types of transfer-payment income such as Social Security for poorer taxpayers, so that while the tax return data are valuable for measuring high incomes, they are less accurate in measuring low ones.

The study concludes that while inequality "originates largely from forces outside of state policymakers' control," such as "runaway growth in the financial sector," state policies can mitigate its effects.

Such policies, the authors suggest, include raising and indexing the minimum wage, "shoring up" the unemployment system and making the state and local tax codes more fair.