

Press Release

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MARYLAND'S GROWTH IN INCOME INEQUALITY AMONG NATION'S WORST

High-Income Families' Earnings Outpace Middle Class; Low-Income Earnings Stagnate

Baltimore & Silver Spring, MD. Over the past 20 years, the gap in income between Maryland's richest and poorest families has widened, according to a report released today from The Center on Budget and Policy Priorities and the Economic Policy Institute. The gap between Maryland's richest families and those in the middle has also widened over the same period.

The study, which examines income inequality both in Maryland and in the United States as a whole, finds that income gaps grew significantly in 37 states over the past two decades. But, the gap between the richest fifth of families and the poorest fifth families grew faster in Maryland than in all but six other states. And, the gap between the richest fifth and the middle fifth grew more in Maryland than in all but three other states.

The report shows that since the late 1980's, the after-tax income of the wealthiest fifth of Maryland households grew 47% on average (after adjusting for inflation). Their average income grew from almost \$109,000 in the mid 1980's (in constant 2005 dollars) to over \$159,000 over that period.

These gains far outpaced those of low- and middle-income families in Maryland. The middle fifth advanced from \$56,000 to \$62,900, a 12% increase over that period. The bottom fifth saw only sluggish growth.

The wealthiest fifth now makes over 7 times the income of the bottom fifth and 2-1/2 times the income of the middle fifth, on average.

It should be noted however, that essentially all of the growth occurred in the first ten years of the study period. Since the late 1990s, income growth for all groups was close to the rate of inflation.

Some of the top reasons for this income disparity highlighted by the report are:

- Growth in wage inequality, and
- Expansion of investment income.

However, government policies also play an important role at both the state and federal level.

Neil Bergsman, director of the Maryland Budget and Tax Policy Institute said: "Low-income and middle income families are stressed. The state's economy has been growing, but the middle class and working class folks have not shared in the growth. There are proven ways in which states can mitigate the growth in income inequality. As policymakers address the present state fiscal budget crisis and the real economic stresses falling to the states from the growing federal deficits, it is imperative that we establish both short and long term tax policies and budget priorities that help the people who the economy has made the most vulnerable."

Recent federal tax cuts have disproportionately benefited the wealthiest citizens, while this year's increase in the state sales tax has hit the poor the hardest.

"Since the 2006 election, lawmakers in Annapolis have enacted some pro-worker reforms, but this report shows Maryland still has a long way to go if we wish to create real economic opportunity for all in our state," said Sean Dobson, Executive Director of the Progressive Maryland Education Fund. "And now that the economy is going into recession, it is more vital than ever that lawmakers boost wages, broaden access to health care, and improve public schools and universities."

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The study is based on US Census data and amounts are adjusted to reflect inflation, federal tax changes, and the cash value of certain government benefits. The full report is available at www.cbpp.org/4-9-08sfp.htm. To learn more how this impacts the citizens in Maryland, please contact either the Maryland Budget & Tax Policy Institute or the Progressive Maryland Education Fund.

The Maryland Budget and Tax Policy Institute, a project of The Maryland Association of Nonprofit Organizations, is a nonpartisan research organization that provides timely, accurate and accessible analysis of state budget and tax issues. In addition to general budget and tax research and analysis, the Institute examines issues affecting low-income Marylanders and other vulnerable populations and the important community programs that serve them.

The Progressive Maryland Education Fund, an independent 501c3 nonprofit organization, conducts research and public education on the economic and political needs of Maryland's working families.