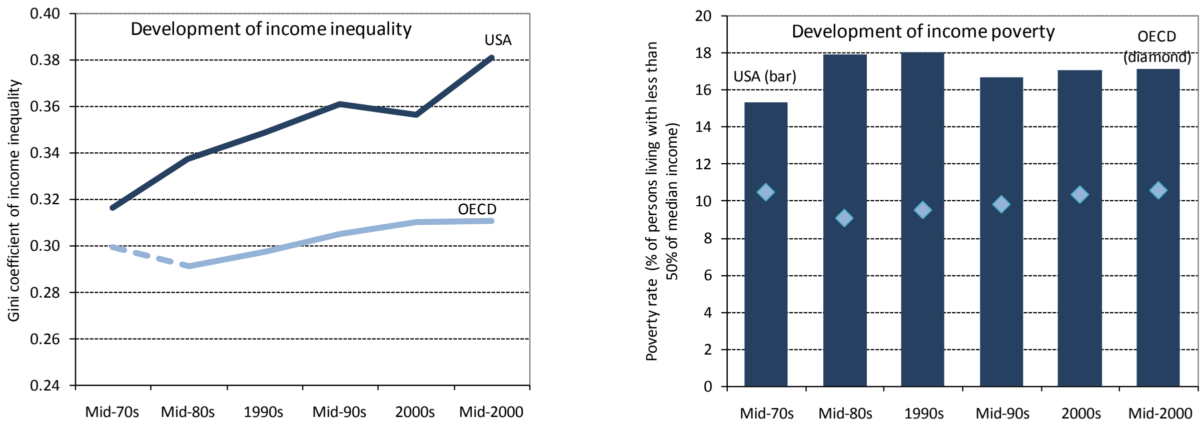
OECD (2008), Growing Unequal? : Income Distribution and Poverty in OECD Countries

COUNTRY NOTE: UNITED STATES

The United States is the country with the highest inequality level and poverty rate across the OECD, Mexico and Turkey excepted. Since 2000, income inequality has increased rapidly, continuing a long-term trend that goes back to the 1970s.

Figure 1. **Income inequality and poverty continue to increase, especially since 2000**



Source: Growing Unequal? , OECD 2008. Income is disposable household income adjusted for household size.

- Rich households in America have been leaving both middle and poorer income groups behind. This has happened in many countries, but nowhere has this trend been so stark as in the United States. The average income of the richest 10% is US$93,000 US$ in purchasing power parities, the highest level in the OECD. However, the poorest 10% of the US citizens have an income of US$5,800 US$ per year – about 20% *lower* than the average for OECD countries.

- The distribution of earnings widened by 20% since the mid-1980s which is more than in most other OECD countries. This is the main reason for widening inequality in America.

- Redistribution of income by government plays a relatively minor role in the United States. Only in Korea is the effect smaller. This is partly because the level of spending on social benefits such as unemployment benefits and family benefits is low – equivalent to just 9% of household incomes, while the OECD average is 22%. The effectiveness of taxes and transfers in reducing inequality has fallen still further in the past 10 years.

- Child poverty – that is, children in a household with less than half the median income – has fallen since 1985, from 25% to 20% but poverty rates among the elderly increased from 20 to 23%. Both of these trends are in the opposite direction to those of the other countries in the OECD.

- Social mobility is lower in the United States than in other countries like Denmark, Sweden and Australia. Children of poor parents are less likely to become rich than children of rich parents.

- Wealth is distributed much more unequally than income: the top 1% control some 25-33% of total net worth and the top 10% hold 71%. For comparison, the top 10% have 28% of total income.