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NOTE: For more information about the national picture, see the full report and national news release at <http://www.cbpp.org/4-9-08sfp.htm>, available under embargo.

Income Gap Grows in Iowa

National Report Points to Growing Inequality in Iowa and U.S.

MOUNT VERNON, Iowa (April 9, 2008) – A new study reports growing income inequality in Iowa as the richest fifth of families make more than six times the income, on average, of the poorest fifth.

“The income gap between Iowa’s richest and poorest families grew in the last two decades,” noted David Osterberg, executive director of the nonpartisan Iowa Policy Project (IPP), which relates job and income trends to public policy issues.

The findings are part of a new study, “Pulling Apart: A State-by-State Analysis of Income Trends,” from the Economic Policy Institute (EPI) and the Center on Budget and Policy Priorities (CBPP).

Nationally, the EPI-CBPP study found inequality grew in most parts of the nation since the late 1980s, with high-income families seeing substantial gains, while there were only modest increases for middle- and low-income families.

Thirty-seven states — including Iowa — showed incomes growing faster in the top fifth of families by income than in the bottom fifth since the late 1980s. No state showed a significant decline in inequality during the period.

Among the report’s findings for Iowa:

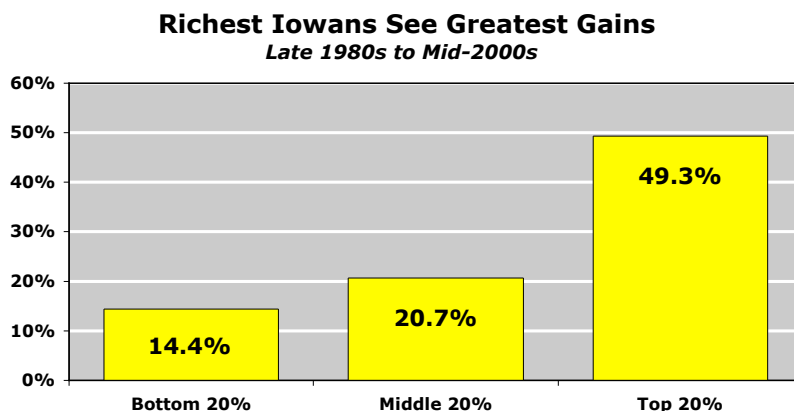
- Iowa’s income gap has grown between rich and poor: The richest 20 percent of Iowa families have average incomes 6.1 times those of the poorest 20 percent — growing from a 4.7-to-1 ratio in the late 1980s.

- Iowa’s income gap has grown between rich and middle-income: The richest 20 percent of families have average incomes 2.3 times those of the middle 20 percent — up from 1.9 to 1 in the late 1980s.

- Income gains for the rich outpaced gains for those at low incomes. (See graph below.) The average income of the richest one-fifth of families rose by \$38,033 over the period, to \$115,187. That \$38,033 increase alone was more than twice the entire average income of \$18,817 for families in the poorest one-fifth.

“The new report offers detail about how our economy is affecting working families,” Osterberg said.

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IPP Research Director Peter Fisher noted income disparities will be made worse if the Bush administration succeeds in repealing or substantially reducing the estate tax and making permanent other tax cuts that also would overwhelmingly benefit very high-income families.

“Our tax changes have reinforced the inequality generated by the private economy instead of compensating for it, and the failure of Congress to enact any labor reform legislation has a lot to do with the trends as well,” Fisher said.

The Iowa Policy Project is a nonpartisan, nonprofit research and policy analysis organization based in Mount Vernon. IPP reports on job and income trends, budget and tax issues, and energy and environmental policy are available at <<http://www.iowapolicyproject.org>>.

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