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OPINION | REVIEW & OUTLOOK

# *The Higher Wages of Growth*

Before the pandemic, income growth soared and poverty fell to the lowest rate since 1959.

By [The Editorial Board](#)

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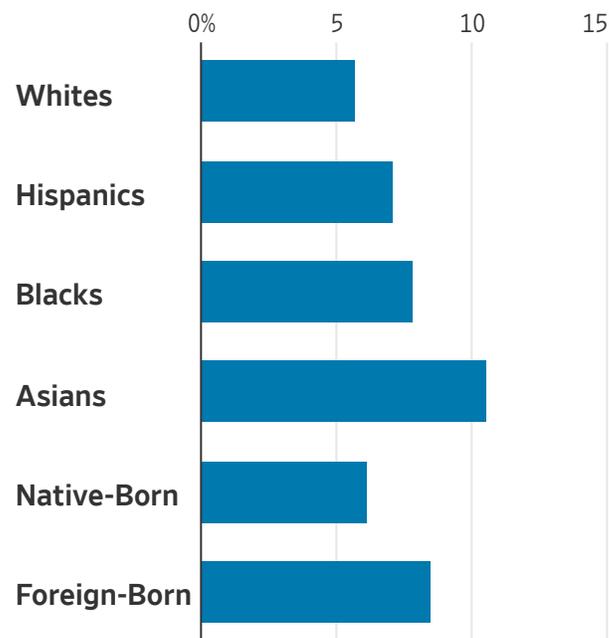
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In case you missed it, and most of the media did, the Census Bureau reported Tuesday that the median household income in 2019 grew a whopping 6.8%—the largest annual increase on record. While this year's government-ordered lockdowns will erase these gains in the short term at least, it's still worth highlighting how lower-income workers and minorities benefited from faster growth and a tighter labor market before the pandemic.

Real median U.S. household income last year rose by \$4,379 to \$68,709. In dollar amounts, this is nearly 50% more than during the eight years of Barack Obama's Presidency. The wealthy last year benefited from a roaring stock market, as they did during most of the Obama years.

But lower and middle-income folks were also finally sharing more in the country’s growing wealth. Notably, median household incomes increased more among Hispanics (7.1%), blacks (7.9%), Asians (10.6%) and foreign-born workers (8.5%) versus whites (5.7%) and native-born Americans (6.2%). One reason is more Americans with lower education levels were working.

**Median Household Income Percent Change  
2018-2019**



Source: Census Bureau

Last year the number of Americans with employment earnings increased by 2.2 million, including 1.2 million more who were employed full-time, year-round. Median earnings increased by an astounding 7.8% for women compared to 2.5% for men. What was that about closing the gender earnings gap?

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After the 2008-2009 recession, increases in government transfers reduced the incentive for unemployed Americans to work. These included 99 weeks of unemployment benefits, which didn't lapse until 2013 and then many Americans out of work went on Social Security disability.

Between the third quarter of 2009—the recession officially ended in June—and the third quarter of 2015, labor participation among 25- to 54-year-olds declined to 80.7% from 82.7%. Accelerating wage growth in recent years, particularly in blue-collar industries, has drawn more workers off the sidelines, and the prime-age labor participation rate climbed back to 82.9% during the first quarter of 2020.

The result: Poverty fell 1.3 percentage points last year to 10.5%, the lowest level since 1959, and declined more for blacks (2 percentage points), Hispanics (1.8), Asians (2.8), single mothers (2.6), people with a disability (3.2), and no high-school diploma (2.2). The black (18.8%) and Hispanic (15.7%) poverty rates were the lowest in history.

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As family household incomes increased, the child poverty rate also declined to 14.4% from 16.2% in 2018 and 18% in 2016. The decline in childhood poverty last year was nearly twice

as much as during the entire Obama Presidency. The most pro-family policies are those that increase jobs and wages.

Income inequality last year also declined by most measures as the bottom quintile's share of income grew 2.4%. But incomes grew across the distribution with many lower earners rising into the middle class, some of whom joined the ranks of the affluent.

The share of households making less than \$15,000 in inflation-adjusted dollars declined to 9.1% last year from 10.4% in 2016 and 11.2% in 2010. At the same time, the share with income between \$75,000 and \$200,000 increased to 36.1% from 34.4% in 2016 and 32.8% in 2010 while the percentage earning more than \$200,000 ticked up to 10.3% from 8% in 2016 and 5.9% in 2010.

In other words, all Americans were gaining economic ground. But lower and middle-class Americans enjoyed the largest gains relative to the Obama Presidency. Incomes naturally fell during the 2008-2009 recession, but they were slow to recover. Worker earnings declined and poverty rose through 2012 despite the increase in government transfer payments.

Income transfers are supposed to temporarily offset earnings during downturns, but for many Americans they became substitutes for jobs after the last two recessions. Not until 2015, when government tightened up on disability payments, did household incomes begin to rise markedly as more prime-working age Americans returned to the workforce.

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These income gains weren't magical. Policy changes mattered. The Obama Administration's obsession with income redistribution and regulation retarded business investment and economic growth. This in turn led to slower income growth for most Americans.

Business investment and hiring increased amid the Trump Administration's deregulation and the GOP's 2017 tax reform that unleashed animal spirits. New business applications increased twice as much during the first two years of the Trump Presidency versus the last two Obama years, other Census data show.

Employers competed for workers by increasing wages and digging deeper into applicant pools by hiring folks with disabilities, less education and even criminal records. Rising

economic growth lifted all classes. The record of his first three years are why voters still give President Trump an edge over Joe Biden on the economy.

The pandemic will eventually end, and the labor market is recovering faster than expected. The question for Americans on Nov. 3 is what kind of economy they want to have on the other side. The Trump policy mix lifted wages for all and reduced inequality. The Obama-Biden policy mix that put income redistribution first led to slower growth and more inequality.

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