Economic Policy Institute

1660 L STREET, NW – SUITE 1200 – WASHINGTON, DC 20036
PH: 202-775-8810 – FAX: 202-775-0819
www.epinet.org

CENTER ON BUDGET AND POLICY PRIORITIES

820 First Street, NE, Suite 510, Washington, DC 20002
Tel: 202-408-1080 Fax: 202-408-1056

FOR IMMEDIATE RELEASE:
Tuesday, April 23, 2002

CONTACT: Henry Griggs, (202) 408-1080
Nancy Coleman, (202) 775-8810
State Contacts on page 5

DESPITE PAST BOOM TIMES, INCOME GAPS HAVE WIDENED IN 45 STATES OVER THE PAST TWENTY YEARS

New York State Shows Biggest Jump in Inequality

The report is available on the web at http://www.cbpp.org/4-23-02sfp.htm

Despite the tremendous overall economic growth of the 1980s and 1990s and the low unemployment rates of the late 1990s, the gaps between high-income and low- and middle-income families are historically wide, according to a new study by the Center on Budget and Policy Priorities (CBPP) and the Economic Policy Institute (EPI).

In all but five states, income inequality has increased over the past 20 years; prior to the late 1970s, economic growth in the United States was more evenly shared.

The state with the greatest increase in income inequality over the 20-year period was New York, a result of a decline in real income of $800 for the bottom fifth of families there, coupled with an increase in the average income of the top fifth of $56,800 (1999 dollars). In addition to New York, the states with the largest increase in inequality over the last two decades were Oregon, Massachusetts, California, Ohio, Connecticut, Kentucky, North Carolina, West Virginia and Arizona. Meanwhile, the gap in income between the top 20 percent of families and the bottom 20 percent narrowed significantly in only one state — Alaska — and was unchanged in Arkansas, Mississippi, South Carolina and South Dakota.

New York also had the widest gap between high-income and low-income families in the late 90s, followed, in order, by Louisiana, Texas, California, Massachusetts, Tennessee, Kentucky, Alabama, Arizona and North Carolina. In general, income inequality was the greatest in the Southeastern and Southwestern states, and least in the Midwest Plains states and northern New England.

While the national trend toward greater income inequality has received widespread coverage, less attention has been focused on how this trend has varied by state.

The report, "Pulling Apart: A State-by State Analysis of Income Trends," breaks down government data, using information from the Census Bureau's March Current Population Survey, to arrive at state-specific figures on before-tax income for families of two or more related individuals. The study compares combined data from 1998, 1999 and 2000 to data from the late 1970s and late 1980s, time periods chosen because they stand as high points of their respective business cycles.

— more —

The study also found that it was not only the poor who failed to share fully in national prosperity. Over the past two decades, the gap between high-income families and families in the middle fifth of income distribution also grew in 44 states.

Because Census data do not capture income from capital gains, executive bonuses and other non-wage sources, it is likely that the growth in incomes of top earners, and hence the growth in income inequality, may be even greater than reflected in the study especially considering the sharp run up in stock market wealth in the late 1990s.

“People from all walks of life, from laborers to corporate executives, contributed to the strong level of overall economic growth that dominated much of the 1980s and 1990s. It is a problem when everyone does not share in the resulting prosperity,” said Elizabeth McNichol, director of CBPP’s State Fiscal Project and a co-author of the report. “The United States was built on the ideal that hard work should pay off, that individuals who contribute to the nation’s economic growth should reap some of the benefits.”

“The fact that the strongest economy in 30 years failed to lower the level of income inequality reveals both the depth and the tenacity of this social and economic problem ,” said Jared Bernstein, EPI economist and report co-author. “Exceptionally low unemployment rates brought gains to low-wage workers and fairly broad-based wage growth, especially in the last few years of the 1990s. Still, high-income families gained the most in the 1990s, and inequality grew over the decade.

“Even the recent wage gains had only begun to offset two decades of eroding real wages and are now placed in great jeopardy” by higher unemployment, Bernstein said.

Among the report’s more illustrative findings:

- In 45 states, the gap between the incomes of the richest 20 percent of families and the incomes of the poorest 20 percent of families is wider than it was two decades ago. The five exceptions are Alaska, where the incomes of the bottom fifth actually grew faster than those of the top fifth; and Mississippi, Arkansas, South Carolina and South Dakota, which experienced similar rates of growth in income for the bottom and top fifths.

- In five states — New York, California, Ohio, Arizona and Wyoming — high-income families got richer while the poor got poorer. In the vast majority of the remaining states, although incomes of families at both ends of the income scale grew, the incomes of high-income families grew faster than the incomes of low-income families. For example, in North Carolina, the incomes of the poorest families grew by only $730, while the incomes of the richest families grew by $42,400.

The report also compared the average income levels of the top fifth and bottom fifth in each state to arrive at a top-to-bottom income ratio, and found that in 11 states, the average income at the top was at least ten times greater than the average income at the bottom. Those states include some of the most populous. In order rank they are New York, Louisiana, Texas, California, Massachusetts, Tennessee, Kentucky, Alabama, Arizona, North Carolina and Oregon. In New York, the richest fifth of families had average incomes 12.8 times those of the bottom fifth.

The states with the lowest such ratios are Iowa, Wyoming, Minnesota, South Dakota, Utah and Indiana, where in each case the ratio of top fifth to bottom fifth income was less than eight.

The Income Gap Between the Top and the Middle Also Grew

In 43 states, the average income of families in the middle of the distribution remained about the same or rose over the 20-year study period, but did not keep pace with the increases in the average income of families in the top 20 percent of the distribution. In eight of these states, incomes in the middle fifth grew less than 10 percent while the top fifth grew by more than 20 percent. In one additional state — Wyoming — incomes in the middle fifth declined while the top fifth grew.

In West Virginia, for example, the average income of the middle fifth of families increased five percent, or by $1,640. The richest fifth of families in West Virginia, however, saw their incomes increase by $27,870 on average, an increase of 37 percent.

The gap between the middle and top fifths was not always so great. Between the late 1970s and the late 1990s, the gap between the average income of middle-income families and the average income of high-income families grew significantly in 44 states. The greatest increase in inequality between middle class and high-income families was in Oregon, followed by Tennessee and New York.

In the late 1970s, there was not a single state where the average income of families in the top fifth of the distribution was as much as 2.7 times as great as the average income of families in the middle fifth. By the late 1990s, there were 30 states where the gap was this wide.

The increase in income inequality has resulted from a number of factors, including both economic trends and government policy. Both federal and state polices have contributed to the increasing gap in income and both federal and state polices can be used to help mitigate or even reverse this trend in the future.

Through policies such as raising the minimum wage, strengthening unemployment insurance, implementing a wide range of supports for low-income working families, removing barriers to unionization, and reforming regressive state tax systems, state and federal lawmakers can help moderate the growing income divide.

Table A

Ten States where Income Inequality Between the Top and the Bottom Was Greatest, Late 1990s	Ten States where Income Inequality Between the Top and the Middle was Greatest, Late 1990s
New York	Tennessee
Louisiana	New York
Texas	California
California	Texas
Massachusetts	Louisiana
Tennessee	Arizona
Kentucky	Oklahoma
Alabama	Oregon
Arizona	Nevada
North Carolina	Florida

Ten States where Income Inequality Between the Top and the Bottom Grew Most, 1970s - 1990s	Ten States where Income Inequality Between the Top and the Middle Grew Most, 1970s - 1990s
New York	Oregon
Oregon	Tennessee
Massachusetts	New York
California	Kentucky
Ohio	California
Connecticut	West Virginia
Kentucky	Nevada
North Carolina	Iowa
West Virginia	New Jersey
Arizona	Texas

Ten States where Income Inequality Between the Top and the Bottom Grew Most, 1980s - 1990s	Ten States where Income Inequality Between the Top and the Middle Grew Most, 1980s - 1990s
Connecticut	Oregon
Oregon	New York
New York	Nevada
Massachusetts	Maryland
Nevada	Connecticut
Wisconsin	Maine
Kansas	Iowa
Delaware	Tennessee
Rhode Island	New Jersey

STATE CONTACTS

Alabama

Kimble Forrister
Arise Citizens' Policy Project
334-832-9060
kimble@alarise.org

Arizona

Elizabeth Hudgins
Children's Action Alliance
602-266-0707
ehudgins@azchildren.org

Arkansas

Richard Huddleston
Arkansas Advocates for Children & Families
501-343-3429 (cell)
Rich.Huddleston@aradvocates.org

Angela Duran
Good Faith Fund
501-580-1129

California

Jean Ross
California Budget Project
916-444-0500
jross@cbp.org

Connecticut

Doug Hall or Shelley Geballe
Connecticut Voices for Children
203-498-4240 x-115
yalie4567@aol.com

Colorado

Adela Flores Brennan
Colorado Fiscal Policy Institute
303-573-5421

District of Columbia

Edward Lazere
D.C. Fiscal Policy Institute
202-408-1095 ext 315
lazere@dcfpi.org

Florida

Nelson Easterling
Florida Institute for Economic Justice
850-907-9855

Idaho

Judith Brown
Idaho Center on Budget & Tax Policy
208-882-0492
jlbrown@turbonet.com

Illinois

Andrea Ingram
Voices for Illinois Children
312-516-5556
aingram@voices4kids.org

Ralph Martire
Center for Tax and Budget Accountability
312-258-5638

Indiana

Beryl Cohen
IN Coalition on Housing and Homeless Issues
317-636-8819
bcohen@ichhi.org

Iowa

Peter Fisher
Iowa Policy Project
319-643-3628

Kentucky

Rick Graycarek
Kentucky Youth Advocates
502-875-4865
rgraycarek@kyyouth.org

Maine

Christopher St. John
Maine Center for Economic Policy
207-622-7381
mecep@mecep.org

Maryland

Steve Hill
Maryland Budget and Tax Policy Institute
301-565-0505
shill@mdnonprofit.org

Massachusetts

Jim St. George
TEAM Education Fund
617-426-1228 x102

Michigan

Sharon Parks
Michigan League for Human Services
517-487-5436

Missouri

Caroline Staerk
Missouri Progressive Vote Coalition
moprovote@mindspring.com
314-531-2288

Minnesota

Nan Madden
Minnesota Budget Project
651-642-1904

Montana

Greg Haegele
The Policy Institute
406-442-5506

New Jersey

Jon Shure
New Jersey Policy Perspective
609-393-1145

New York

Trudi Renwick or Frank Mauro
Fiscal Policy Institute
518-786-3156

Nevada

Katherine Limon
Interfaith Council for Worker Justice
702-866-6008

North Carolina

Sorien Schmidt
NC Budget and Tax Center
919-856-2151
sorien@ncjustice.org

Ohio

Kate Sopko
Ohio Policy Matters
216-931-9922

Oklahoma

David Blatt
Community Action Project
918-382-3228
dblatt@captc.org

Oregon

Chuck Sheketoff
Oregon Center for Public Policy
503-873-1201
csheketoff@ocpp.org

Pennsylvania

Martha Bergsten
Pennsylvania Partnerships for Children
717-236-5680

Peter Wiley
Keystone Research
570-522-0738

Rhode Island

Nancy Gewirtz
The Poverty Institute
401-456-8239

Texas

Chris Pieper or Dianne Stewart
Center for Public Policy Priorities
512-320-0222

Utah

Diane Hartford
Utah Issues
801-521-2035 x107

Virginia

Ellen Ryan
Virginia Organizing Project
434-984-4655
eryan@virginia-organizing.org

Washington

John Burbank
Economic Opportunities Institute
206-529-6345

Wisconsin

Jon Peacock
Wisconsin Budget Project
608-284-0580 x307

Michael Jacob
Center on Wisconsin Strategy (COWS)
608-262-5176