
II. The Long-Term Trend: The Late 1970s to the Late 1990s

Nationwide, income inequality increased significantly during the 1980s and 1990s, a stark reversal of the trend towards lessening inequality that prevailed between World War II and the 1970s. Gaps in income between high-income families and poor families and between high-income families and middle-income families have widened across the United States, in every region and in virtually every state. As a group, low-income families have seen their incomes decline while the incomes of middle-income families have risen only slightly. The incomes of the wealthiest families, by contrast, have grown dramatically. These developments occurred both in the 1980s and the 1990s. This chapter examines this long-term — post 1979 — trend in the growth in income inequality, while the next chapter examines the trends in the 1990s.

To assess how families at different income levels have fared over the past two decades, this report measures income inequality at three points in time: the late 1970s, the late 1980s, and the late 1990s. These periods reflect comparable points in the economic cycle. For each time period, all families are ranked by income and divided into five groups (or "quintiles"), each made up of the same number of persons. The average income of families in each quintile is then calculated for each of the three time periods. The change in the income held by each quintile is one way in which researchers commonly illustrate changes in the distribution of income over time by, for instance, showing that income growth was higher among higher income groups.

Income Trends: Differences Between High- and Low-Income Families

In comparing the varying income trends of families at different points in the income distribution, there is a dramatic contrast between how the richest fifth of families and the poorest fifth of families fared over the last two decades. Table 1 shows how families in the top and bottom fifths of the distribution have fared since the late 1970s in each of the 50 states. The table presents both the percentage change in average incomes and the dollar change in average

incomes. (The directions of most of the changes in average incomes are statistically significant at the 95 percent level of confidence. In Tables 1, 5, 9, and 12 states are only counted as a state where the poor grew poorer or the middle class lost income if the decline in average income is statistically significant. See the footnote to Table 1 for details.)

In 18 states, the poorest fifth of families grew poorer between the late 1970s and the late 1990s. In 11 of those states, the incomes of families in the bottom quintile of the income distribution dropped by more than 10 percent. In four states — Arizona, New Mexico, New York, and Wyoming — the poorest fifth of families experienced a decline in income of *more than 20 percent*.

In every state but three, by contrast, families in the top 20 percent of the income distribution saw their incomes swell between the late 1970s and the late 1990s. In 31 states, the incomes of the upper fifth of families jumped by over 30 percent. In New York, for example, the average income of the bottom fifth of families fell by \$2,900 from the late 1970s to the late 1990s, a drop of over 20 percent. Over the same period, New York's richest 20 percent of families saw their incomes rise by \$45,480, or over 40 percent. (All figures are presented in 1997 inflation-adjusted dollars.)

The high-income families were growing richer in 16 of the 18 states in which the poor grew poorer. In the remaining two states — Montana and Wyoming — the average income of the poorest families declined by 15 percent or more, while the average income of the richest families remained essentially the same.

In 31 of the 32 states where incomes of the bottom fifth of families either rose or did not change between the late 1970s and late 1990s, the incomes of the top fifth of families grew faster than the incomes of the bottom fifth.¹ In 20 of these states, incomes of the bottom fifth were essentially stagnant, growing by a statistically insignificant amount over two decades, while the incomes of the top fifth grew by more than 20 percent.

In Florida, for example, the average income of families in the bottom fifth of the distribution increased by only 1.2 percent, or \$140 between the late 1970s and the late 1990s (a change that was not statistically significant). Families in the top fifth of the distribution, on the other hand, saw their incomes rise by over 36 percent, or by \$33,240.

The trend toward widening inequality is even more pronounced when families in the top five percent of the income distribution are compared to the bottom fifth. Table 1A shows this

¹ In the remaining state, Alaska, the incomes of both the poorest families and the richest families increased, and the percentage increase in the incomes of the bottom fifth of families exceeded the percentage increase for the top fifth of families. Specifically, the average income of the poorest 20 percent of families increased from \$15,620 to \$18,260 between the late 1970s and the late 1990s, an increase of nearly 17 percent. The average income of the richest 20 percent of families rose from \$144,810 to \$147,430 over the same period, an increase of two percent.

comparison for the eleven large states where such a calculation can be made.² In ten of the eleven states, the incomes of the bottom fifth of families either declined or grew very little between the late 70s and late 90s. In all eleven states, however, the incomes of the top five percent of families increased by 35 percent or more.

Changes in Income Gaps

The gap in income between high- and low-income families at any point in time may be measured by dividing the average income of the top quintile by the average income of the bottom quintile. This calculation provides a "top-to-bottom" income ratio. Table 2 shows the top-to-bottom ratios in all fifty states in the 1990s, and the ranking of each state. New York, ranked first, has a larger income gap between the top fifth of families and the bottom fifth than any other state.

There are nine states — New York, Arizona, New Mexico, Louisiana, California, Rhode Island, Texas, Oregon, and Kentucky — where the average income of the richest fifth of families was more than eleven times as great as the average income of the bottom fifth of families. In most of these states, the average income of the bottom fifth of families was well below the national average.

At the other end of the spectrum, there are only four states — North Dakota, Iowa, Indiana, and Utah — where the richest fifth of families had less than eight times the average income of the bottom fifth. These are the states where income was distributed least unevenly, although the gap between high-income and poor families was still quite large. In these four states, the average income of the bottom fifth of families was well above the national average.

Table 1A
Dollar and Percent Change in Average Income of Bottom Fifth and Top 5% of Families, '78-'80 to '96-'98

State	Bottom Fifth		Top 5%	
5 Large States Where the Bottom Fifth Grew Poorer and Top 5% Grew Richer				
California	(2,884) *	-19.1%	81,715 *	48.5%
Michigan	(1,297) *	-8.1%	74,040 *	49.5%
New York	(2,897) *	-21.2%	107,875 *	66.9%
Ohio	(1,791) *	-11.4%	84,420 *	57.2%
Texas	(1,149) *	-9.3%	58,480 *	35.0%
6 Large States Where Incomes of the Top 5% Grew Faster than Incomes of the Bottom Fifth				
Florida	139	1.2%	78,444 *	57.4%
Illinois	(146)	-1.0%	69,187 *	42.2%
Massachusetts	(370)	-2.4%	96,328 *	59.8%
New Jersey	1,293 *	8.0%	111,304 *	68.6%
North Carolina	18	0.1%	72,862 *	51.9%
Pennsylvania	(416)	-2.7%	104,447 *	74.8%
Total U.S.	(897) *	-6.5%	84,762 *	55.5%
* Dollar changes marked with an asterisk are statistically significant. The direction of the change is known with 95 percent certainty. See the footnote in Table 1 for details.				
Source: Economic Policy Institute/Center on Budget and Policy Priorities' analysis of data from the U.S. Census Bureau's Current Population Survey.				

² An analysis of the average income of the top five percent of families was conducted for eleven large states that have sufficient observations in the Current Population Survey to allow the calculation of reliable estimates of the average income of the top five percent of families.

Table 1
Dollar and Percent Change in Average Income of Bottom and Top Fifths
of Families, '78-'80 to '96-'98

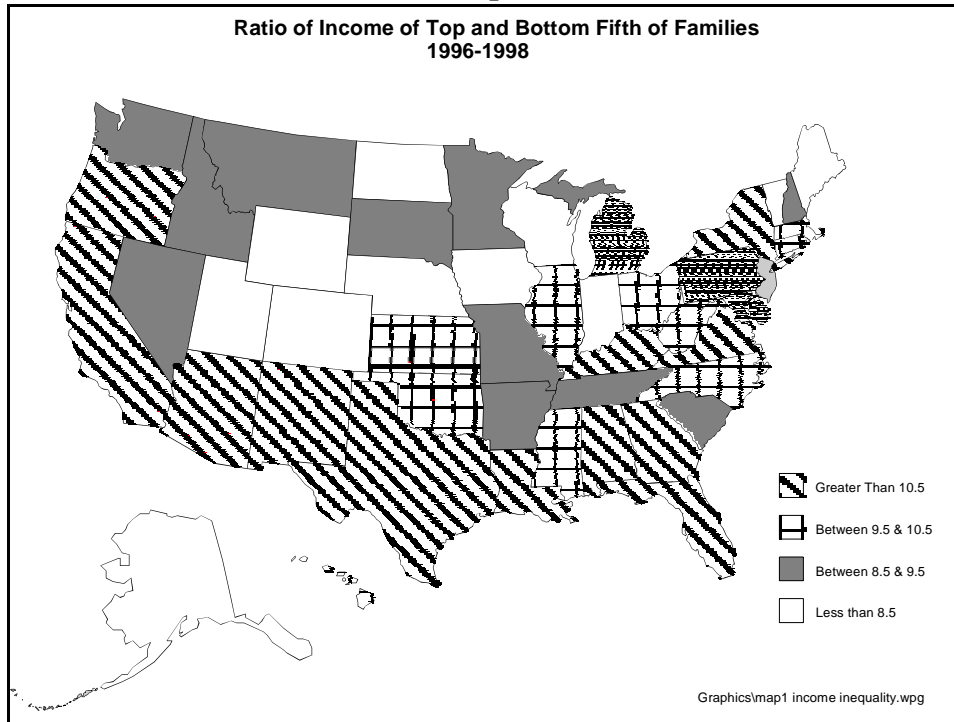
State	Bottom Fifth		Top Fifth	
18 States Where the Bottom Fifth Grew Poorer and Top Fifth Grew Richer				
Wyoming	(5,613) *	-29.8%	2,759	2.6%
Arizona	(3,884) *	-26.5%	33,712 *	31.4%
New York	(2,897) *	-21.2%	45,481 *	42.6%
California	(2,884) *	-19.1%	31,814 *	27.8%
New Mexico	(2,392) *	-21.5%	16,400 *	17.3%
West Virginia	(2,154) *	-18.0%	24,713 *	31.9%
Oregon	(1,933) *	-13.0%	49,518 *	52.2%
Montana	(1,912) *	-15.1%	2,467	2.5%
Ohio	(1,791) *	-11.4%	34,742 *	34.2%
Oklahoma	(1,656) *	-12.5%	13,114 *	12.8%
Louisiana	(1,468) *	-13.6%	13,364 *	13.6%
Rhode Island	(1,340) *	-9.0%	66,447 *	70.9%
Michigan	(1,297) *	-8.1%	29,258 *	27.7%
Iowa	(1,173) *	-7.2%	18,354 *	19.6%
Texas	(1,149) *	-9.3%	24,435 *	23.1%
Kansas	(1,057) *	-6.8%	48,285 *	51.6%
Idaho	(1,005) *	-7.0%	22,568 *	25.0%
Georgia	(700) *	-5.7%	23,720 *	24.1%
31 States Where Incomes of the Top Fifth Grew Faster Than Incomes of the Bottom Fifth				
Hawaii	(1,072)	-6.6%	34,733 *	30.5%
Connecticut	(924)	-5.0%	61,180 *	54.2%
Nevada	(801)	-4.9%	26,008 *	24.5%
New Hampshire	(707)	-4.0%	49,490 *	50.1%
Wisconsin	(439)	-2.6%	31,678 *	30.2%
Kentucky	(436)	-3.7%	41,491 *	49.2%
Pennsylvania	(416)	-2.7%	42,499 *	43.3%
Massachusetts	(370)	-2.4%	45,888 *	41.4%
Minnesota	(317)	-1.9%	43,281 *	42.6%
Virginia	(194)	-1.4%	45,195 *	42.7%
Illinois	(146)	-1.0%	29,444 *	26.4%
North Carolina	18	0.1%	35,831 *	39.5%
Florida	139	1.2%	33,243 *	36.1%
Delaware	211	1.4%	33,604 *	32.9%
Maine	233	1.8%	22,105 *	25.3%
Vermont	243	1.7%	29,940 *	32.9%
Missouri	275	2.0%	31,002 *	32.0%
Washington	281	1.9%	32,191 *	30.2%
Maryland	355	2.0%	42,779 *	35.1%
North Dakota	503	3.9%	12,078 *	12.8%
Mississippi	877 *	9.3%	22,016 *	26.3%
Nebraska	899	6.5%	31,926 *	35.0%
Tennessee	1,175 *	11.1%	22,788 *	26.5%
Indiana	1,288 *	8.4%	33,105 *	37.3%
New Jersey	1,293 *	8.0%	52,835 *	46.7%
Arkansas	1,363 *	14.5%	18,981 *	23.6%
Colorado	1,571 *	9.3%	34,788 *	30.5%
Alabama	1,613 *	16.8%	32,997 *	38.2%
Utah	2,040 *	12.6%	29,435 *	30.5%
South Carolina	2,297 *	20.7%	28,632 *	32.7%
South Dakota	2,441 *	19.9%	43,413 *	48.6%
1 State Where Incomes of the Bottom Fifth Grew Faster Than Incomes of the Top Fifth				
Alaska	2,640 *	16.9%	2,627	1.8%
District of Columbia	(2,107) *	-21.9%	86,794 *	74.6%
Total U.S.	(897) *	-6.5%	34,365 *	33.3%
<p>* Dollar changes marked with an asterisk are "statically significant." That is, according to a commonly-used statistical test, we are 95 percent certain that the direction of the change noted (i.e., whether income rose or fell) is correct. For example, in Wisconsin, we cannot say with 95 percent certainty that the \$439 drop in average income of the bottom fifth reflects a true income drop, but we can say with 95 percent certainty that the \$31,678 gain in the income of the top fifth reflects a true gain. The test is important since these income data are based on samples of the population in each state. No statistical tests were performed on the percentage changes.</p>				
<p>Source: Economic Policy Institute/ Center on Budget and Policy Priorities' analysis of data from the U.S. Census Bureau's Current Population Survey.</p>				

Table 2
Ratio of Incomes of Top and Bottom Fifths of Families,
'96-'98

State	Rank	Average income of bottom fifth of families	Average income of top fifth of families	Top-to-bottom ratio
New York	1	10,769	152,349	14.1
Arizona	2	10,801	141,190	13.1
New Mexico	3	8,720	111,295	12.8
Louisiana	4	9,289	111,441	12.0
California	5	12,239	146,066	11.9
Rhode Island	6	13,527	160,176	11.8
Texas	7	11,200	130,302	11.6
Oregon	8	12,902	144,300	11.2
Kentucky	9	11,365	125,797	11.1
Virginia	10	14,141	151,117	10.7
Alabama	11	11,225	119,470	10.6
Georgia	12	11,491	122,128	10.6
Florida	13	11,847	125,204	10.6
West Virginia	14	9,805	102,174	10.4
Mississippi	15	10,279	105,612	10.3
Massachusetts	16	15,342	156,606	10.2
North Carolina	17	12,617	126,580	10.0
Oklahoma	18	11,558	115,272	10.0
Connecticut	19	17,615	174,149	9.9
Hawaii	20	15,119	148,458	9.8
Kansas	21	14,470	141,903	9.8
Ohio	22	13,986	136,259	9.7
Illinois	23	14,666	141,104	9.6
New Jersey	24	17,447	165,958	9.5
Pennsylvania	25	14,900	140,627	9.4
Montana	26	10,762	99,904	9.3
Tennessee	27	11,749	108,686	9.3
Arkansas	28	10,771	99,519	9.2
Michigan	29	14,622	134,707	9.2
Maryland	30	17,941	164,816	9.2
Washington	31	15,123	138,787	9.2
South Dakota	32	14,730	132,773	9.0
Missouri	33	14,196	127,738	9.0
New Hampshire	34	16,832	148,315	8.8
Minnesota	35	16,464	144,919	8.8
South Carolina	36	13,390	116,223	8.7
Delaware	37	15,660	135,732	8.7
Nevada	38	15,635	132,301	8.5
Idaho	39	13,336	112,732	8.5
Vermont	40	14,400	120,826	8.4
Nebraska	41	14,714	123,018	8.4
Wyoming	42	13,238	108,450	8.2
Wisconsin	43	16,690	136,404	8.2
Maine	44	13,539	109,619	8.1
Alaska	45	18,264	147,432	8.1
Colorado	46	18,450	148,812	8.1
North Dakota	47	13,423	106,304	7.9
Iowa	48	15,143	111,852	7.4
Indiana	49	16,660	121,955	7.3
Utah	50	18,174	125,926	6.9
District of Columbia		7,498	203,110	27.1
Total U.S.		12,986	137,485	10.6

Source: Economic Policy Institute/ Center on Budget and Policy Priorities' analysis of data from the U.S. Census Bureau's Current Population Survey.

Map 1



Map 1 shows the most unequal and least unequal states as measured by the top-to-bottom ratio in the late 1990s. Inequality is greatest in the Southeastern and the Southwestern states. The Midwest Plains region and northern New England are the least unequal.

Changes in inequality over time can be assessed by comparing the top-to-bottom ratios for each of the 50 states in the late 1970s to the same ratios in the late 1990s. As shown in Table 3, inequality has grown substantially over the period. In 46 states, the ratio increased by a statistically significant amount. In three states, the ratio increased, but not by a statistically significant amount. The last column of Table 3 shows the extent to which the top-to-bottom ratios grew over the two-decade period. The rank of each state shows how the growth in inequality in that state compared to the growth in inequality in other states.

In the late 1970s, there was no state where high-income families had average income that was 9.5 times larger than the average incomes of low-income families. By the late 1990s, 24 states had "top-to-bottom" ratios of 9.5 or greater.

The greatest increase in income inequality occurred in New York. In the late 1970s, the richest fifth of families in New York had about eight times the income of the poorest fifth of families. By the late 1990s, the richest fifth of families had over 14 times the income of families in the bottom fifth of the distribution. The increased inequality resulted in part from a drop in the income of families in the bottom quintile of the distribution from \$13,670 to \$10,780, a decline of \$2,900. Meanwhile, the average income of families at the top of the distribution in New York increased from \$106,870 to \$152,350, an increase of \$45,480.

Table 3
Change in Ratio of Incomes of Top and Bottom Fifths of Families,
'78-'80 - '96-'98

State	Rank	Top-to-bottom ratio '78-'80	Top-to-bottom ratio '96-'98	Change in top/bottom ratio
New York	1	7.8	14.1	6.3 *
Arizona	2	7.3	13.1	5.8 *
Rhode Island	3	6.3	11.8	5.5 *
Oregon	4	6.4	11.2	4.8 *
California	5	7.6	11.9	4.4 *
New Mexico	6	8.5	12.8	4.2 *
West Virginia	7	6.5	10.4	3.9 *
Kentucky	8	7.1	11.1	3.9 *
Connecticut	9	6.1	9.9	3.8 *
Kansas	10	6.0	9.8	3.8 *
Ohio	11	6.4	9.7	3.3 *
Virginia	12	7.4	10.7	3.3 *
New Hampshire	13	5.6	8.8	3.2 *
Massachusetts	14	7.0	10.2	3.2 *
Texas	15	8.6	11.6	3.1 *
Pennsylvania	16	6.4	9.4	3.0 *
Louisiana	17	9.1	12.0	2.9 *
North Carolina	18	7.2	10.0	2.8 *
Hawaii	19	7.0	9.8	2.8 *
Minnesota	20	6.1	8.8	2.7 *
Florida	21	7.9	10.6	2.7 *
Michigan	22	6.6	9.2	2.6 *
Wyoming	23	5.6	8.2	2.6 *
Georgia	24	8.1	10.6	2.6 *
New Jersey	25	7.0	9.5	2.5 *
Maryland	26	6.9	9.2	2.2 *
Oklahoma	27	7.7	10.0	2.2 *
Idaho	28	6.3	8.5	2.2 *
Illinois	29	7.5	9.6	2.1 *
Wisconsin	30	6.1	8.2	2.1 *
Delaware	31	6.6	8.7	2.1 *
Missouri	32	6.9	9.0	2.0 *
Washington	33	7.2	9.2	2.0 *
Nevada	34	6.5	8.5	2.0 *
Vermont	35	6.4	8.4	2.0 *
Nebraska	36	6.6	8.4	1.8 *
South Dakota	37	7.3	9.0	1.7 *
Iowa	38	5.7	7.4	1.7 *
Alabama	39	9.0	10.6	1.6 *
Montana	40	7.7	9.3	1.6 *
Indiana	41	5.8	7.3	1.5 *
Maine	42	6.6	8.1	1.5 *
Mississippi	43	8.9	10.3	1.4 *
Colorado	44	6.8	8.1	1.3 *
Tennessee	45	8.1	9.3	1.1 *
Utah	46	6.0	6.9	0.9 *
South Carolina	47	7.9	8.7	0.8
Arkansas	48	8.6	9.2	0.7
North Dakota	49	7.3	7.9	0.6
Alaska	50	9.3	8.1	-1.2 *
District of Columbia		12.1	27.1	15.0 *
Total U.S.		7.4	10.6	3.2 *

* The direction of the changes in the top/bottom ratio marked with an asterisk are statistically significant at the 95 percent level of confidence. That is, one can say with 95 percent certainty that the increases or decreases shown in the table are true increases or decreases in income inequality.

Source: Economic Policy Institute/ Center on Budget and Policy Priorities' analysis of data from the U.S. Census Bureau's Current Population Survey.

The dimensions of the increase in inequality become even clearer when the income of the poorest 20 percent of families is compared to the richest five percent of families. Table 3A shows that, once again, the greatest increase in income inequality occurred in New York. In the late 1970s, the richest five percent of families in New York had about 12 times the income of the poorest fifth of families on average. By the late 1990s, the richest five percent of families had 25 times the income of families in the bottom fifth of the

Table 3A
Change in Ratio of Incomes of Top 5% and Bottom Fifths of Families, '78-'80 - '96-'98

State	Top-to-bottom ratio '78-'80	Top-to-bottom ratio '96-'98	Change in Top/Bottom ratio
California	11.2	20.5	9.3 *
Florida	11.7	18.2	6.5 *
Illinois	11.1	15.9	4.8 *
Massachusetts	10.2	16.8	6.5 *
Michigan	9.4	15.3	5.9 *
New Jersey	10.0	15.7	5.6 *
New York	11.8	25.0	13.2 *
North Carolina	11.1	16.9	5.8 *
Ohio	9.4	16.6	7.2 *
Pennsylvania	9.1	16.4	7.3 *
Texas	13.5	20.1	6.6 *
Total U.S.	11.0	18.3	7.3 *

* The direction of the changes in the top/bottom ratio marked with an asterisk are statistically significant at the 95 percent level of confidence. That is, one can say with 95 percent certainty that the increases shown in the table are true increases in income inequality.

Source: Economic Policy Institute/Center on Budget and Policy Priorities' analysis of data from the U.S. Census Bureau's Current Population Survey.

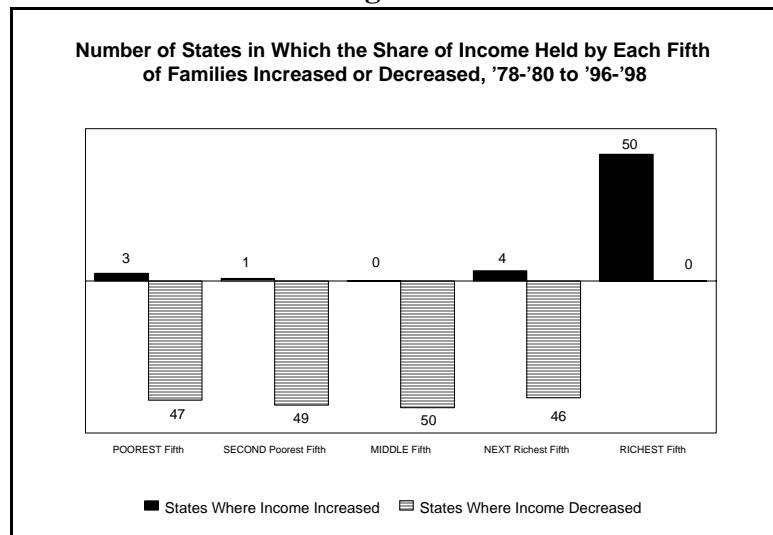
distribution — a more than doubling of the income gap. As indicated above, the increased inequality resulted in part from a drop in the income of families in the bottom quintile of the distribution from \$13,670 to \$10,770 over the two decade period. Over the same period, the average income of the richest five percent of families in New York increased from \$161,180 to \$269,050, an increase of \$107,880. Inequality increased dramatically in California as well. By the late 1990s, the average income of the top five percent of families in California was more than 20 times the average income of the poorest 20 percent of families — almost double the gap in the late 1970s.

Changes in Income Shares

Another way to measure changes in income inequality over time is to look at changes in the share of total family income held by each fifth of families in the income distribution.

Figure 1 shows the number of states where the share of income held by each quintile rose or fell between the late 1970s and the late 1990s. In virtually all states, the share of income held by the bottom 80 percent of families fell over the period. By contrast

Figure 1



in every state the percentage of total family income held by the richest families increased since the 1970s.

Table 4 shows the share of income held by the top and bottom fifths of families in each of the states in the late 1970s and in the late 1990s. Alaska, South Dakota and Tennessee were the only states in which the share of income held by the bottom fifth of families did not decline between the 1970s and the 1990s. In each of the remaining 47 states, the share of income held by the poorest fifth of families decreased. The share held by the top fifth of families increased in every state.

Income Trends: Differences between High- and Middle-Income Families

It was not only the poor as a group that failed to share in the income growth that has occurred since the late 1970s. Families in the middle of the distribution were also left behind compared to families at the top of the income distribution.

Table 5 shows the dollar and percentage change in the average incomes of families in the middle and top fifths of the income distribution between the late 1970s and the late 1990s.

In 11 states, the average income of families in the middle fifth fell while the average income of those in the top fifth rose.³ In Arizona, for example, families in the middle fifth of the income distribution saw their incomes fall by \$4,520 from the late 1970s to the late 1990s, a drop of 11 percent. Incomes of the richest 20 percent of families in Arizona increased by \$33,710 over the same period, or by 31 percent.

In 39 states, the average income of families in the middle of the distribution either remained about the same or rose, 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 the middle fifth grew five percent or less while the top fifth grew by more than 20 percent. In Michigan, for example, the average income of the middle fifth of families increased four percent, or by \$2,140. The richest 20 percent of families in Michigan, however, saw their incomes increase by \$29,260 on average, an increase of 28 percent. In all but two of the states where the incomes of the middle fifth grew, that growth was less than half the growth in the incomes of the richest fifth of families. The exceptions are Alabama and South Carolina.

Changes in Income Gaps

The ratio of the average income of the top fifth of families to the average income of the middle fifth of families is shown in Table 6 for all fifty states. In the late 1990s, the gap between

³ In three states — Alaska, Montana, and Wyoming — the increases in the incomes of the top fifth of families were not statistically significant.

Table 4
Share of Income Held by Bottom and Top Fifths of Families,
'78-'80 through '96-'98

State	Share of Income held by bottom fifth		Share of Income held by top fifth	
	'78-'80	'96-'98	'78-'80	'96-'98
Alabama	5.3%	4.8%	40.7%	45.2%
Alaska	5.3%	6.3%	41.4%	42.4%
Arizona	7.0%	3.9%	40.1%	50.8%
Arkansas	5.7%	5.6%	42.7%	44.6%
California	6.3%	4.2%	39.9%	48.6%
Colorado	7.0%	6.0%	37.2%	43.6%
Connecticut	8.0%	5.2%	36.6%	44.4%
Delaware	7.0%	5.6%	38.1%	44.4%
Florida	5.9%	4.9%	40.1%	45.0%
Georgia	5.8%	4.4%	39.8%	44.3%
Hawaii	7.1%	6.0%	35.5%	39.1%
Idaho	7.9%	5.8%	38.0%	42.4%
Illinois	6.1%	5.3%	37.1%	43.4%
Indiana	7.8%	7.0%	35.6%	42.0%
Iowa	8.2%	6.8%	35.1%	41.0%
Kansas	7.4%	5.9%	37.1%	46.4%
Kentucky	6.3%	4.7%	36.7%	44.5%
Louisiana	5.5%	4.2%	40.3%	46.1%
Maine	7.2%	6.4%	37.5%	42.1%
Maryland	7.1%	5.3%	37.1%	45.0%
Massachusetts	7.1%	5.3%	36.8%	43.4%
Michigan	7.3%	5.5%	35.7%	42.2%
Minnesota	8.4%	5.7%	35.7%	41.3%
Mississippi	5.5%	5.1%	41.1%	47.3%
Missouri	7.1%	5.8%	38.5%	42.7%
Montana	6.3%	5.2%	38.6%	42.2%
Nebraska	7.2%	6.2%	35.9%	42.7%
Nevada	7.1%	5.8%	37.6%	44.7%
New Hampshire	8.0%	6.2%	36.7%	45.0%
New Jersey	6.8%	5.5%	36.1%	43.4%
New Mexico	5.6%	3.8%	41.7%	50.3%
New York	6.4%	3.8%	38.9%	48.7%
North Carolina	6.2%	5.1%	39.0%	44.6%
North Dakota	7.3%	6.5%	37.5%	40.8%
Ohio	7.4%	5.4%	36.6%	43.1%
Oklahoma	6.6%	5.1%	40.7%	45.8%
Oregon	7.5%	5.0%	37.6%	48.1%
Pennsylvania	7.5%	5.6%	35.3%	44.0%
Rhode Island	7.9%	4.7%	34.9%	47.6%
South Carolina	6.0%	5.7%	39.2%	43.5%
South Dakota	6.7%	6.8%	38.6%	44.8%
Tennessee	5.6%	5.6%	40.0%	43.7%
Texas	5.4%	4.3%	41.4%	48.7%
Utah	8.4%	7.4%	36.7%	41.2%
Vermont	7.3%	5.9%	35.9%	42.2%
Virginia	6.2%	5.1%	38.6%	44.5%
Washington	6.8%	5.6%	38.1%	41.9%
West Virginia	6.8%	5.0%	37.4%	43.7%
Wisconsin	8.4%	6.3%	34.9%	41.9%
Wyoming	8.3%	6.3%	36.7%	41.9%
District of Columbia	4.3%	2.1%	47.7%	61.6%
Total U.S.	6.5%	4.9%	38.4%	45.4%

Source: Economic Policy Institute/ Center on Budget and Policy Priorities' analysis of data from the U.S. Census Bureau's Current Population Survey.

Table 5
Dollar and Percent Change in Average Income of Middle and Top Fifths
of Families, '78-'80 to '96-'98

State	Middle Fifth		Top Fifth	
11 States Where the Middle Fifth Grew Poorer and the Top Fifth Grew Richer				
Wyoming	(7,731) *	-15.7%	2,759	2.6%
Arizona	(4,518) *	-10.5%	33,712 *	31.4%
Montana	(4,088) *	-9.9%	2,467	2.5%
New Mexico	(3,364) *	-9.0%	16,400 *	17.3%
Iowa	(1,877) *	-4.1%	18,354 *	19.6%
Texas	(1,611) *	-3.8%	24,435 *	23.1%
Louisiana	(1,540) *	-3.9%	13,364 *	13.6%
California	(1,538) *	-3.2%	31,814 *	27.8%
Alaska	(1,457) *	-2.5%	2,627	1.8%
Nevada	(1,204) *	-2.6%	26,008 *	24.5%
West Virginia	(1,182) *	-3.3%	24,713 *	31.9%
39 States Where Incomes of the Top Fifth Grew Faster than the Incomes of the Middle Fifth				
Oklahoma	(417)	-1.0%	13,114 *	12.8%
Oregon	194	0.4%	49,518 *	52.2%
Hawaii	477	0.9%	34,733 *	30.5%
Idaho	781 *	1.9%	22,568 *	25.0%
Mississippi	1,536 *	4.6%	22,016 *	26.3%
Arkansas	1,617 *	5.0%	18,981 *	23.6%
North Dakota	1,635 *	4.0%	12,078 *	12.8%
New York	1,728 *	3.8%	45,481 *	42.6%
Michigan	2,142 *	4.3%	29,258 *	27.7%
Illinois	2,258 *	4.6%	29,444 *	26.4%
Ohio	2,506 *	5.4%	34,742 *	34.2%
Nebraska	2,655 *	6.1%	31,926 *	35.0%
Kansas	2,924 *	6.7%	48,285 *	51.6%
Georgia	2,933 *	7.1%	23,720 *	24.1%
Tennessee	3,497 *	9.7%	22,788 *	26.5%
Wisconsin	3,681 *	7.7%	31,678 *	30.2%
Pennsylvania	3,791 *	8.4%	42,499 *	43.3%
Maine	4,441 *	11.9%	22,105 *	25.3%
Indiana	4,485 *	10.3%	33,105 *	37.3%
Delaware	4,488 *	9.7%	33,604 *	32.9%
Florida	4,496 *	12.3%	33,243 *	36.1%
Kentucky	4,511 *	11.5%	41,491 *	49.2%
Colorado	4,547 *	9.2%	34,788 *	30.5%
North Carolina	4,683 *	12.0%	35,831 *	39.5%
South Dakota	4,802 *	12.9%	43,413 *	48.6%
Washington	4,927 *	10.6%	32,191 *	30.2%
Missouri	4,965 *	11.7%	31,002 *	32.0%
Utah	5,293 *	12.1%	29,435 *	30.5%
Vermont	5,350 *	13.3%	29,940 *	32.9%
Virginia	5,629 *	12.3%	45,195 *	42.7%
Maryland	5,798 *	10.7%	42,779 *	35.1%
New Hampshire	6,308 *	13.7%	49,490 *	50.1%
Rhode Island	6,448 *	14.4%	66,447 *	70.9%
South Carolina	7,187 *	19.6%	28,632 *	32.7%
Minnesota	7,791 *	16.6%	43,281 *	42.6%
Alabama	7,868 *	22.6%	32,997 *	38.2%
Massachusetts	8,518 *	17.4%	45,888 *	41.4%
New Jersey	10,335 *	20.5%	52,835 *	46.7%
Connecticut	10,604 *	20.9%	61,180 *	54.2%
District of Columbia	(1,411) *	-3.7%	86,794 *	74.6%
Total U.S.	2,246 *	5.1%	34,365 *	33.3%
* Dollar changes marked with an asterisk are statistically significant. The direction of the change is known with 95 percent certainty. See the footnote in Table 1 for details.				
Source: Economic Policy Institute/ Center on Budget and Policy Priorities' analysis of data from the U.S. Census Bureau's Current Population Survey.				

Table 6
Ratio of Incomes of Top and Middle Fifths of Families,
'96-'98

State	Rank	Average income of middle fifth of families	Average income of top fifth of families	Top-to-middle ratio
Arizona	1	38,624	141,190	3.7
New Mexico	2	33,981	111,295	3.3
New York	3	46,756	152,349	3.3
Oregon	4	44,984	144,300	3.2
Texas	5	41,099	130,302	3.2
California	6	46,076	146,066	3.2
South Dakota	7	41,920	132,773	3.2
Rhode Island	8	51,071	160,176	3.1
Florida	9	41,094	125,204	3.0
Kansas	10	46,747	141,903	3.0
Mississippi	11	34,991	105,612	3.0
Louisiana	12	37,764	111,441	3.0
West Virginia	13	34,686	102,174	2.9
Virginia	14	51,444	151,117	2.9
Arkansas	15	33,954	99,519	2.9
Oklahoma	16	39,441	115,272	2.9
North Carolina	17	43,748	126,580	2.9
Nevada	18	45,834	132,301	2.9
Pennsylvania	19	48,797	140,627	2.9
Kentucky	20	43,722	125,797	2.9
New Hampshire	21	52,294	148,315	2.8
Connecticut	22	61,461	174,149	2.8
Hawaii	23	52,422	148,458	2.8
Alabama	24	42,756	119,470	2.8
Georgia	25	43,990	122,128	2.8
Ohio	26	49,135	136,259	2.8
Maryland	27	59,879	164,816	2.8
Illinois	28	51,337	141,104	2.7
Colorado	29	54,202	148,812	2.7
Tennessee	30	39,607	108,686	2.7
New Jersey	31	60,801	165,958	2.7
Massachusetts	32	57,417	156,606	2.7
Idaho	33	41,498	112,732	2.7
Missouri	34	47,240	127,738	2.7
Washington	35	51,541	138,787	2.7
Montana	36	37,165	99,904	2.7
Nebraska	37	45,906	123,018	2.7
Delaware	38	50,920	135,732	2.7
Minnesota	39	54,634	144,919	2.7
South Carolina	40	43,885	116,223	2.6
Vermont	41	45,643	120,826	2.6
Wisconsin	42	51,647	136,404	2.6
Maine	43	41,750	109,619	2.6
Alaska	44	56,196	147,432	2.6
Michigan	45	51,513	134,707	2.6
Wyoming	46	41,666	108,450	2.6
Utah	47	49,010	125,926	2.6
Iowa	48	43,780	111,852	2.6
Indiana	49	47,876	121,955	2.5
North Dakota	50	42,294	106,304	2.5
District of Columbia		36,918	203,110	5.5
Total U.S.		46,530	137,485	3.0

Source: Economic Policy Institute/ Center on Budget and Policy Priorities' analysis of data from the U.S. Census Bureau's Current Population Survey.

high-income and middle class families was the widest in 12 states — Arizona, New Mexico, New York, Oregon, Texas, California, South Dakota, Rhode Island, Florida, Kansas, Mississippi, and Louisiana — where the average income of the richest fifth of families was at least three times as large as the average income of the middle fifth of families. In California, for example, the middle fifth of families had average income of \$46,080 while the richest fifth of families had average income of \$146,070.

At the other end of the spectrum, five of the eleven states with the smallest top-to-middle ratios in the late 1990s were in the Midwest region. The states with the smallest top-to-middle ratios were — South Carolina, Vermont, Wisconsin, Maine, Alaska, Michigan, Wyoming, Utah, Iowa, Indiana, and North Dakota.

The income gaps shown in Table 6 were 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 45 states. As shown in Table 7, which ranks states by the degree to which its gap increased over the period, the greatest increase in inequality between middle class and high-income families was in Arizona, followed by Oregon, Rhode Island, Kansas, and New York.

In the late 1970s, there was not a single state where the average income of families in the top quintile of the distribution was as much as 2.7 times as great as the average income of families in the middle quintile. By the late 1990s, there were 39 states where the gap was this wide.

Table 7A compares the top-to-middle ratio using the top five percent and middle 20 percent of the income distribution. Over the two-decade period this table shows an increase in inequality nationally of 1.7 points.

Table 7A
Change in Ratio of Incomes of Top 5% and Middle Fifths of Families,
'78-'80 - '96-'98

State	Top-to-middle ratio '78-'80	Top-to-middle ratio '96-'98	Change in top/middle ratio
California	3.5	5.4	1.9 *
Florida	3.7	5.2	1.5 *
Illinois	3.3	4.5	1.2 *
Massachusetts	3.3	4.5	1.2 *
Michigan	3.0	4.3	1.3 *
New Jersey	3.2	4.5	1.3 *
New York	3.6	5.8	2.2 *
North Carolina	3.6	4.9	1.3 *
Ohio	3.2	4.7	1.6 *
Pennsylvania	3.1	5.0	1.9 *
Texas	3.9	5.5	1.6 *
Total U.S.	3.5	5.1	1.7 *

* The direction of the changes in the top/middle ratio marked with an asterisk are statistically significant at the 95 percent level of confidence. That is, one can say with 95 percent certainty that the increases shown in the table are true increases in income inequality.

Source: Economic Policy Institute/ Center on Budget and Policy Priorities' analysis of data from the U.S. Census Bureau's Current Population Survey.

Table 7
Change in Ratio of Incomes of Top and Middle Fifths of Families,
'78-'80 - '96-'98

State	Rank	Top-to-middle ratio '78-'80	Top-to-middle ratio '96-'98	Change in top/middle ratio
Arizona	1	2.5	3.7	1.2 *
Oregon	2	2.1	3.2	1.1 *
Rhode Island	3	2.1	3.1	1.0 *
Kansas	4	2.1	3.0	0.9 *
New York	5	2.4	3.3	0.9 *
West Virginia	6	2.2	2.9	0.8 *
California	7	2.4	3.2	0.8 *
South Dakota	8	2.4	3.2	0.8 *
New Mexico	9	2.5	3.3	0.7 *
Kentucky	10	2.2	2.9	0.7 *
Pennsylvania	11	2.2	2.9	0.7 *
Texas	12	2.5	3.2	0.7 *
New Hampshire	13	2.1	2.8	0.7 *
Hawaii	14	2.2	2.8	0.6 *
Nevada	15	2.3	2.9	0.6 *
Virginia	16	2.3	2.9	0.6 *
Connecticut	17	2.2	2.8	0.6 *
Ohio	18	2.2	2.8	0.6 *
Nebraska	19	2.1	2.7	0.6 *
North Carolina	20	2.3	2.9	0.6 *
Florida	21	2.5	3.0	0.5 *
Mississippi	22	2.5	3.0	0.5 *
Iowa	23	2.0	2.6	0.5 *
Idaho	24	2.2	2.7	0.5 *
Indiana	25	2.0	2.5	0.5 *
Maryland	26	2.3	2.8	0.5 *
New Jersey	27	2.2	2.7	0.5 *
Minnesota	28	2.2	2.7	0.5 *
Michigan	29	2.1	2.6	0.5 *
Illinois	30	2.3	2.7	0.5 *
Delaware	31	2.2	2.7	0.5 *
Massachusetts	32	2.3	2.7	0.5 *
Wyoming	33	2.1	2.6	0.5 *
Wisconsin	34	2.2	2.6	0.5 *
Louisiana	35	2.5	3.0	0.5 *
Colorado	36	2.3	2.7	0.4 *
Arkansas	37	2.5	2.9	0.4
Missouri	38	2.3	2.7	0.4 *
Washington	39	2.3	2.7	0.4 *
Vermont	40	2.3	2.6	0.4 *
Georgia	41	2.4	2.8	0.4 *
Tennessee	42	2.4	2.7	0.4 *
Utah	43	2.2	2.6	0.4 *
Oklahoma	44	2.6	2.9	0.4 *
Montana	45	2.4	2.7	0.3 *
Alabama	46	2.5	2.8	0.3
Maine	47	2.3	2.6	0.3 *
South Carolina	48	2.4	2.6	0.3
North Dakota	49	2.3	2.5	0.2
Alaska	50	2.5	2.6	0.1
District of Columbia		3.0	5.5	2.5 *
Total U.S.		2.3	3.0	0.6 *

* The direction of the changes in the top/middle ratio marked with an asterisk are statistically significant at the 95 percent level of confidence. That is, one can say with 95 percent certainty that the increases shown in the table are true increases in income inequality.

Source: Economic Policy Institute/Center on Budget and Policy Priorities' analysis of data from the U.S. Census Bureau Current Population Survey.

New York had the largest increase from 3.6 to 5.8 points, followed by California and Pennsylvania.

Changes in Income Shares

Trends in the share of income held by families in the middle quintile of the income distribution also show that middle-income families are falling behind the richest fifth of families in the vast majority of states.

Table 8 shows the share of income held by families in the middle and top fifths of the income distribution in the late 1970s and the late 1990s. In the United States as a whole, the share of income held by the middle fifth of families fell from 18.1 percent to 16.2 percent. In every state the share of income held by the middle fifth of families followed the national trend.

As noted earlier, the top fifth of families saw its share increase over the period in every state. In the United States as a whole, the share of total family income held by the richest 20 percent of families increased from 38.4 percent to 45.4 percent over the past two decades.

Table 8
Share of Income Held by Middle and Top Fifths of Families,
'78-'80 through '96-'98.

State	Share of Income held by middle fifth		Share of Income held by top fifth	
	'78-'80	'96-'98	'78-'80	'96-'98
Alabama	18.0%	16.2%	40.7%	45.2%
Alaska	17.8%	15.9%	41.4%	42.4%
Arizona	17.4%	14.4%	40.1%	50.8%
Arkansas	16.6%	15.6%	42.7%	44.6%
California	17.7%	15.1%	39.9%	48.6%
Colorado	18.4%	16.4%	37.2%	43.6%
Connecticut	17.4%	16.7%	36.6%	44.4%
Delaware	17.5%	16.0%	38.1%	44.4%
Florida	17.5%	16.1%	40.1%	45.0%
Georgia	17.9%	17.0%	39.8%	44.3%
Hawaii	20.0%	18.3%	35.5%	39.1%
Idaho	17.7%	16.6%	38.0%	42.4%
Illinois	19.2%	17.0%	37.1%	43.4%
Indiana	17.8%	16.5%	35.6%	42.0%
Iowa	18.8%	17.0%	35.1%	41.0%
Kansas	17.4%	15.4%	37.1%	46.4%
Kentucky	18.3%	16.6%	36.7%	44.5%
Louisiana	17.9%	16.2%	40.3%	46.1%
Maine	18.1%	17.0%	37.5%	42.1%
Maryland	18.0%	16.9%	37.1%	45.0%
Massachusetts	18.4%	17.4%	36.8%	43.4%
Michigan	18.9%	17.0%	35.7%	42.2%
Minnesota	18.3%	17.6%	35.7%	41.3%
Mississippi	17.4%	15.1%	41.1%	47.3%
Missouri	17.6%	17.1%	38.5%	42.7%
Montana	18.3%	17.2%	38.6%	42.2%
Nebraska	17.9%	17.0%	35.9%	42.7%
Nevada	18.5%	15.8%	37.6%	44.7%
New Hampshire	18.6%	16.0%	36.7%	45.0%
New Jersey	18.9%	16.9%	36.1%	43.4%
New Mexico	16.7%	14.0%	41.7%	50.3%
New York	18.2%	15.4%	38.9%	48.7%
North Carolina	18.3%	16.2%	39.0%	44.6%
North Dakota	17.7%	17.6%	37.5%	40.8%
Ohio	18.5%	17.1%	36.6%	43.1%
Oklahoma	17.5%	15.4%	40.7%	45.8%
Oregon	17.5%	15.2%	37.6%	48.1%
Pennsylvania	18.5%	16.5%	35.3%	44.0%
Rhode Island	19.2%	15.4%	34.9%	47.6%
South Carolina	18.0%	16.5%	39.2%	43.5%
South Dakota	17.9%	15.6%	38.6%	44.8%
Tennessee	17.8%	17.2%	40.0%	43.7%
Texas	17.4%	14.7%	41.4%	48.7%
Utah	17.6%	17.0%	36.7%	41.2%
Vermont	18.3%	17.1%	35.9%	42.2%
Virginia	18.0%	17.4%	38.6%	44.5%
Washington	18.3%	16.8%	38.1%	41.9%
West Virginia	18.2%	16.4%	37.4%	43.7%
Wisconsin	19.1%	16.8%	34.9%	41.9%
Wyoming	18.0%	16.8%	36.7%	41.9%
Dist. of Col.	15.3%	11.1%	47.7%	61.6%
Total U.S.	18.1%	16.2%	38.4%	45.4%

Source: Economic Policy Institute/ Center on Budget and Policy Priorities' analysis of data from the U.S. Census Bureau's Current Population Survey.