DESPITE PAST BOOM TIMES, INCOME GAPS HAVE WIDENED IN 45 STATES OVER THE PAST TWENTY YEARS
New York State Shows Biggest Jump in Inequality

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 is available on the web at http://www.cbpp.org/4-23-02sfp.htm
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>
<thead>
<tr>
<th>Table A</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Ten States where Income Inequality Between the Top and the Bottom Was Greatest, Late 1990s</strong></td>
<td><strong>Ten States where Income Inequality Between the Top and the Middle was Greatest, Late 1990s</strong></td>
</tr>
<tr>
<td>New York Louisiana Texas California Massachusetts Tennessee Kentucky Alabama Arizona North Carolina</td>
<td>Tennessee New York California Texas Louisiana Arizona Oklahoma Oregon Nevada Florida</td>
</tr>
<tr>
<td><strong>Ten States where Income Inequality Between the Top and the Bottom Grew Most, 1970s - 1990s</strong></td>
<td><strong>Ten States where Income Inequality Between the Top and the Middle Grew Most, 1970s - 1990s</strong></td>
</tr>
<tr>
<td><strong>Ten States where Income Inequality Between the Top and the Bottom Grew Most, 1980s - 1990s</strong></td>
<td><strong>Ten States where Income Inequality Between the Top and the Middle Grew Most, 1980s - 1990s</strong></td>
</tr>
</tbody>
</table>
## 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

### California

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

### Colorado

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

### Connecticut

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

### 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

### Indiana

Beryl Cohen  
IN Coalition on Housing and Homeless Issues  
317-636-8819  
bclohen@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
Pulling Apart: A State-by State Analysis of Income Trends, Press Release

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