

INCOME INEQUALITY HAS INCREASED IN TENNESSEE SINCE THE 1970s

Inequality has increased in Tennessee over the past two decades. This can be observed by ranking all Tennessee families according to their income level, dividing them into five groups (or fifths) of equal size, and calculating the average income of each fifth of families. This analysis shows by the late 1990s:

- The richest 20 percent of families had average incomes 10.5 times as large as the poorest 20 percent of families.
- The richest 20 percent of families had average incomes 3.2 times as large as the middle 20 percent of families.

The Long-Term Trend

Since the late 1970s, income inequality has increased in Tennessee. The economic growth of the 1980s and 1990s was not shared evenly among the poor, the rich, and the middle class. Instead, the top fifth of families fared substantially better than other income groups.

In the late 1970s, the richest 20 percent of families had average incomes 8.1 times as large as the poorest 20 percent of families. By the late 1990s, that ratio had grown to 10.5. The gap between the rich and the middle class also increased. This increase was the second greatest in the nation.

- The average income of the poorest fifth of families increased by \$2,680 between the late 1970s and the late 1990s, from \$10,390 to \$13,080.
- The average income of the middle fifth of families increased by \$8,040 between the late 1970s and the late 1990s, from \$35,490 to \$43,540.
- The average income of the richest fifth of families increased by \$53,090 between the late 1970s and the late 1990s, from \$84,430 to \$137,520.

The Recent Trend

Over the past decade, income inequality has remained about the same in Tennessee.

- The average income of the poorest fifth of families increased by \$3,450 between the late 1980s and the late 1990s, from \$9,620 to \$13,080.
- The average income of the middle fifth of families increased by \$7,080 between the late 1980s and the late 1990s, from \$36,460 to \$43,540.
- The average income of the richest fifth of families increased by \$38,070 between the late 1980s and the late 1990s, from \$99,460 to \$137,520.

Tennessee

Income Inequality Among Families In Tennessee Has Increased Since the 1970s

Income Gaps, Late 1990s

| | Rank (1 is most unequal) |
|---------------------------------|-----------------------------|
| Richest fifth vs. poorest fifth | 6 |
| Richest fifth vs. middle fifth | 1 |

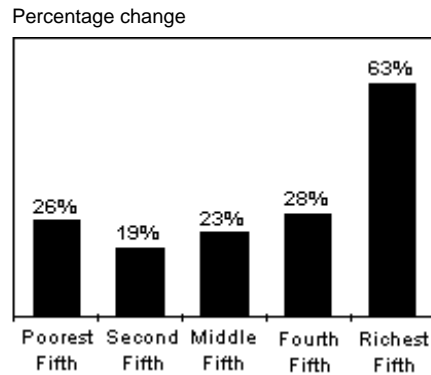
Income Gaps, Late 1990s

| | Ratio |
|---------------------------------|-------|
| Richest fifth vs. poorest fifth | 10.5 |
| Richest fifth vs. middle fifth | 3.2 |

Inflation-Adjusted Change in Incomes Late 1970s to Late 1990s

| | Dollar Change | % Change |
|-----------------------|---------------|----------|
| Poorest Fifth . . . | 2,680 * | 25.8% + |
| Middle Fifth | 8,040 * | 22.7% + |
| Richest Fifth | 53,090 * | 62.9% |

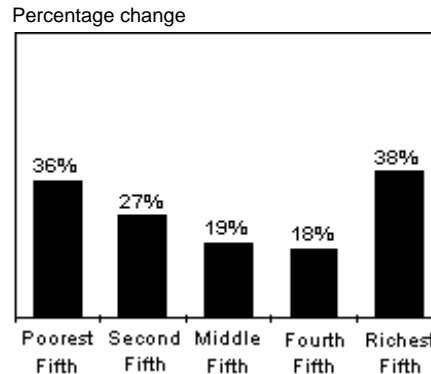
Income Changes for Tennessee Families Late 1970s to Late 1990s, by Fifth of Families



Inflation-Adjusted Change in Incomes Late 1980s to Late 1990s

| | Dollar Change | % Change |
|-----------------------|---------------|----------|
| Poorest Fifth . . . | 3,450 * | 35.9% |
| Middle Fifth | 7,080 * | 19.4% + |
| Richest Fifth | 38,070 * | 38.3% |

Income Changes for Tennessee Families Late 1980s to Late 1990s, by Fifth of Families



* Change is statistically significant at the 95% confidence level.

+ Difference between this change and the percent change in the income of the top fifth is statistically significant at the 95% confidence level.

Source: Economic Policy Institute/Center on Budget and Policy Priorities, *Pulling Apart: A State-by-State Analysis of Income Trends*, April 2002.