# New report documents growing social inequality in the US

David Walsh
19 January 2000

A report issued Tuesday by the Center on Budget and Policy Priorities and the Economic Policy Institute, both based in Washington, points to the extraordinary growth of social polarization in the United States. The study, based on the most recent Census Bureau data, demonstrates that the US is riven by class divisions that are growing increasingly acute.

The report examines both the long-term trend in income inequality, i.e., from the late 1970s to the late 1990s, and the recent trend—the late 1980s to the late 1990s.

The study's authors found that during the 1980s and 1990s "income inequality increased significantly ... a stark reversal of the trend toward lessening inequality that prevailed between World War II and the 1970s." The gap between low-income families and high-income families as well as the disparity between middle-income families and high-income families widened over those two decades.

In 18 states, the poorest fifth of families grew poorer between the late 1970s and late 1990s. In four states—Arizona, New Mexico, Wyoming and New York—that portion of the population experienced a decline in income of *more than 20 percent*. In New York state, the income of the poorest families fell by $2,900 (all figures are calculated in inflation-adjusted 1997 dollars) to $10,769. The richest 20 percent of New York's families enriched themselves by an average of $45,480, or more than *40 percent*. The average income of the richest 20 percent of New York's families was $152,349.

These statistics help explain the general lurch to the right by the political establishment in New York, including erstwhile liberals, which has helped nourish the careers of such figures as Governor George Pataki and New York City Mayor Rudolph Giuliani.

In 31 out of the remaining 32 states, where the incomes of the bottom fifth of families either rose or did not fall over the past two decades, the incomes of the richest quintile of families rose faster than those of the poorest fifth. In Florida, for example, the average income of the poorest families increased by only 1.2 percent, or $140, while the richest families increased their incomes by over 36 percent, or $33,240.

The degree of polarization comes even more sharply into focus when the figures for the top 5 percent of the population are introduced into the equation. In 10 of the 11 populous states where such calculations were made, the incomes of the poorest families declined or grew only slightly. The incomes of the top 5 percent of families increased by an average of 35 percent.

The report also examined social inequality by another gauge, the relation between high- and low-income families considered as a "top-to-bottom" income ratio. In nine states—New York, Arizona, New Mexico, Louisiana, California, Rhode Island, Texas, Oregon and Kentucky—the richest 20 percent of families had incomes that were *more than 11 times* as great as the average income of the poorest families.

New York again led the way. In the late 1970s, the richest fifth of New York families had approximately 8 times the income of the poorest families; by the late 1990s, the richest 20 percent had *more than 14 times* the income of the poorest. The figures for the richest 5 percent of New York families are even more staggering. The incomes of these families were some 12 times greater than those of the poorest 20 percent in the late 1970s; by the late 1990s the richest 5 percent of families had *25 times* the income of the poorest 20 percent of families: $269,050 compared to $10,770.

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

The gap between the average income of middle-income families and the average income of the wealthiest families "grew significantly" in 45 states. New York was also one of those states experiencing the greatest growth in inequality between middle- and high-income families, along with Arizona, Oregon, Rhode Island and Kansas.

"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."

During the 1980s and 1990s, the share of the total income held by middle-income families fell from 18.1 to 16.2 percent; the share of the richest 20 percent of American families increased from 38.4 to 45.5 percent.

"The economic recovery of the 1990s," observes the study, "has been referred to as one of the most robust periods of economic growth in the postwar period in the United States. A close look at income growth over the past decade, however, reveals a sobering trend; the benefits of the strong economy of the last decade have done little to turn around the longer-term trend toward increasing income inequality. In fact, income inequality grew in most states in the 1990s."

In 15 states, the rich grew richer and the poor grew poorer in absolute terms during the 1990s, for most of which Bill Clinton has occupied the White House. The average income of the bottom fifth of families rose or remained the same in 35 states during that decade; but in 22 of these states, the incomes of the richest families grew faster than the incomes of the poorest.

The average incomes of the richest 5 percent of American families "grew dramatically" over the past decade. In each of the 11 states where those incomes were measured, income inequality widened. The increases in the wealth of the richest 5 percent ranged from 16.3 percent in Illinois to 38.4 percent in Pennsylvania.

The "top-to-bottom" ratio (comparing the income of the top and bottom 20 percent of families) increased "by a statistically significant amount" in 33 states during the 1990s. In Rhode Island, for example, the top fifth of families had incomes 12 times as large as the poorest fifth, compared to a figure of 7 times in the late 1980s.

The ratio of the average income of the top *5 percent* of families to that of the bottom 20 percent increased in New York by more than 50 percent from the late 1980s to the late 1990s, from 16.1 to 25.

Overall, the share of total income held by the bottom 20 percent of families in the US has continued to fall, from 5.3 percent in the late 1980s to 4.9 percent by the late 1990s. The share held by the richest 20 percent of families increased from 42.1 to 45.4 over that period.

Income disparities between middle- and high-income families were also on the rise in the 1990s. In Massachusetts, for example, the average income of the middle fifth of families declined by more than 4 percent; the average income of the state's richest families increased by 8 percent. The study shows that since the late 1980s the income gaps between middle- and high-income families have widened in 36 states. The share of the total income held by middle-income families has dropped in 44 states.

The report on income inequality comes only days after a revealing comment by Federal Reserve Chairman Alan Greenspan, recently reappointed by Clinton to his fourth term. In the course of a speech to the Economic Club in New York City January 13, warning about the possible consequences of a soaring stock market, Greenspan noted that fully one-fourth of annual economic growth in the US since 1996—about one percentage point of the 4 percent growth rate—has come from the "wealth effect" of well-heeled consumers spending more because of their rising investment portfolios.

The statistics reported Tuesday by the liberal think tanks in Washington expose as fraudulent the perennial claim that the "economic recovery" of the 1990s has benefited everyone, even if unequally. The real beneficiary of the profit and stock market boom has been the wealthiest 20 percent of the population (and in a more concentrated fashion, the wealthiest 5 percent). For the remaining 80 percent, income has largely stagnated or declined.

No one in the media or political elite can discuss these figures with any degree of honesty. One can be certain that social inequality, the issue that dominates all aspects of life in the US, will barely rate a mention by any of the candidates of the establishment parties in the political debates leading up to the 2000 elections.

*See Also:*

Social Issues & Inequality in America
[*WSWS* Full Coverage]