

news from **The Fiscal Policy Institute**

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Contacts:
Trudi Renwick or Frank Mauro, 518-786-3156
James Parrott, 212-414-9001

New Study Finds Income Inequality in New York Worst of Any State ... and Getting Worse Rather Than Better

New York has the most unequal income distribution in the United States and the situation in the Empire State has gotten much worse over the last two decades. The 1990s were a boom time for the state "on average" but the resulting prosperity was not broadly shared. New York's income gaps (between the top and the bottom and the top and the middle) widened during the 1990s. And, for middle income New Yorkers this gap grew much more in the 1990s than it had in the 1980s.

These are among the findings of a new analysis of income trends in the 50 states by the Center on Budget and Policy Priorities and the Economic Policy Institute, two highly respected research organizations based in Washington, D.C, and companion state-level report by the Fiscal Policy Institute.

"The current situation can only be described as a crisis. New York has, by far, the most unequal income distribution of all 50 states, and the situation is getting worse. This report should serve as a wake-up call for state leaders," said Trudi Renwick, an economist with the Fiscal Policy Institute.

Renwick called upon the state's religious, labor, civic and business leaders to convene a series of summit meetings to explore and address both the causes and the consequences of this situation. "New York State must develop a strategic plan for reducing child poverty, increasing job opportunities and ensuring that the incomes of working families do not continue to deteriorate."

The Center on Budget and Policy Priorities (CBPP) and the Economic Policy Institute (EPI), in their new report, ***Pulling Apart: A State-by-State Analysis of Income Trends***, examine the changes that have occurred since the late 1970s in the average incomes of families in different segments of the income distribution in each state. Working with CBPP and EPI, the Fiscal Policy Institute has issued a companion report ***Pulling Apart in New York: An Analysis of Income Trends in New York***, which presents additional analysis of the data on New York State. Among the major findings of these two new reports are:

- C New York has the widest gap between rich and poor of all 50 states. In New York, the average income of the top 20% of families (in the last three most recent years for which data is available, 1998 through 2000) was \$161,860 or 12.8 times as large as the average income of the poorest 20% of families during this same period (\$12,640).
- C Only one other northern industrial state is even in the top ten in terms of this ranking (Massachusetts is 5th with a 10.5 to 1 ratio between the incomes of the top and bottom fifths). Both New Jersey (9.6 to 1) and Connecticut (9.4 to 1), on the other hand, have more equitable income distributions than the nation as a whole (10 to 1).
- C New York has the second widest income gap between the rich and the middle class, behind only Tennessee. Again, no other northern state is even in the top ten, and New Jersey and

Connecticut are ranked 13th and 21st.

- C Since the late 1970s, no state has seen greater growth in income disparities between the rich and the poor than New York. In the late 1970s, New York had the most unequal income distribution of any northern industrial state (7.8 to 1), but it was very close to the national average of 7.4 to 1, and it ranked "only" 12th among the 50 states. By the late 1980s, it ranked fourth on this measure and it now has top ranking by a comfortable margin
- C In terms of the gap between the rich and the middle class, New York was 16th in the late 1970s with a ratio only 4% above the national average. Today, it is ranked second with a ratio that is 10% above the national average.
- C For the eleven largest states, the reports also looks at the average family income of richest *five* percent of families. In New York, in the 1998-2000 period, these families had incomes that averaged \$266,530 or 21 times more than the lowest 20 percent (whose incomes averaged \$12,640 during this period) and 5.2 times greater than the average income of the middle 20 percent (\$51,710).
- C Not only didn't the 1990s "boom" halt the widening of New York's income gaps this process accelerated for the middle income group that had gained some ground in the 1980s. The average income for the middle fifth increased 14.7% in the 1980s, while in the 1990s this segment of the state's population barely gained any ground at all (up 1.9%). The next to the bottom fifth gained 11% in the 1980s and experienced a slight decline in the 1990s (-1.5%).

By their use of the "pulling apart" metaphor in the title of their new studies, the authors are being both accurately descriptive and appropriately judgmental. Arithmetically the widening income gaps that are being experienced in New York are the result of two divergent trends. The average income of the top quintile of families is pulling in one direction - up, substantially. At the same time, the average income of families in the bottom fifth is being pulled in the opposite direction, overwhelmingly by forces outside their control.

The term "pulling apart" also connotes that there are dangers inherent in these cold hard facts. As the CBPP/EPI report explains, there are important negative implications for the effective functioning of our economic system when everyone who contributes to the growth of the economy does not share in the resulting prosperity.

"Public and private sector leaders should commit themselves to pursuing policies and making decisions that make it easier rather than harder for New York families to move up the socioeconomic ladder. In this way, New York can begin growing together rather than pulling apart," said Frank Mauro, executive director of the Fiscal Policy Institute.

Links to both the national EPI/CBPP report and FPI's companion report for New York can be found on the Fiscal Policy Institute's web site at www.fiscalpolicy.org.