

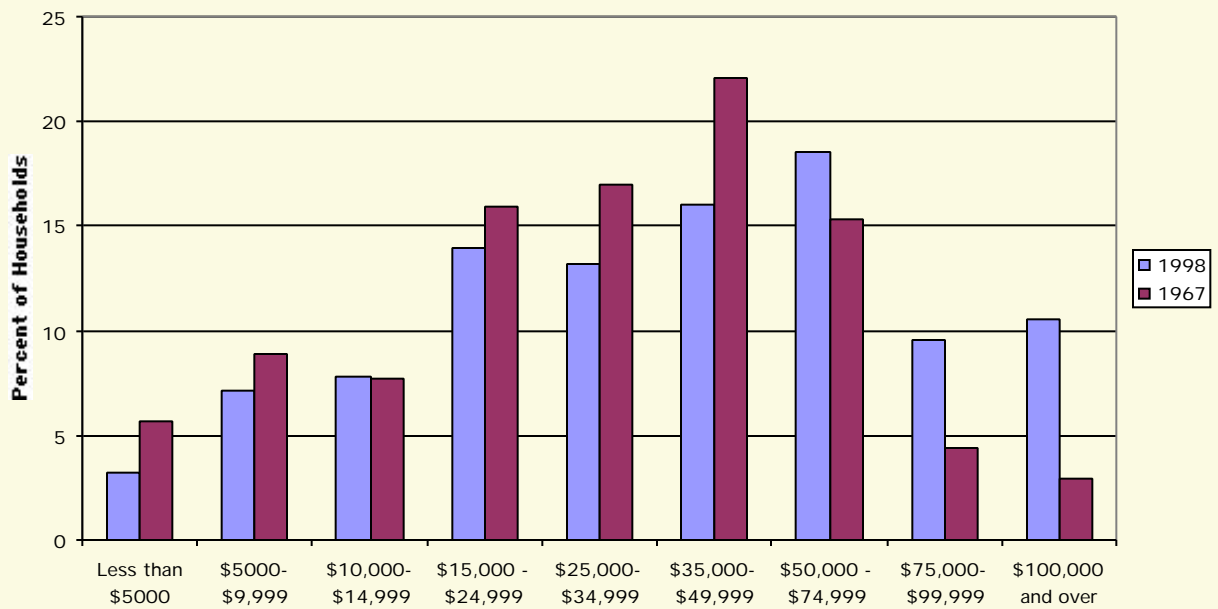
The image shows the cover of a spiral-bound notebook. The cover is a light beige or tan color with a subtle, mottled texture. On the left side, there is a silver metal spiral binding. The title is printed in a dark brown, serif font, centered on the cover. The title reads "Income Inequality in the United States, 1947-1998".

Income Inequality in the United
States, 1947-1998

Measurement Issues

- ✓ Shortcomings of Income as Measure of Resources
- ✓ Presentation of Facts
 - Frequency Distribution
 - Lorenz Curve
- ✓ Summary Measures of Income Inequality
 - Gini Coefficient
 - Other Measures

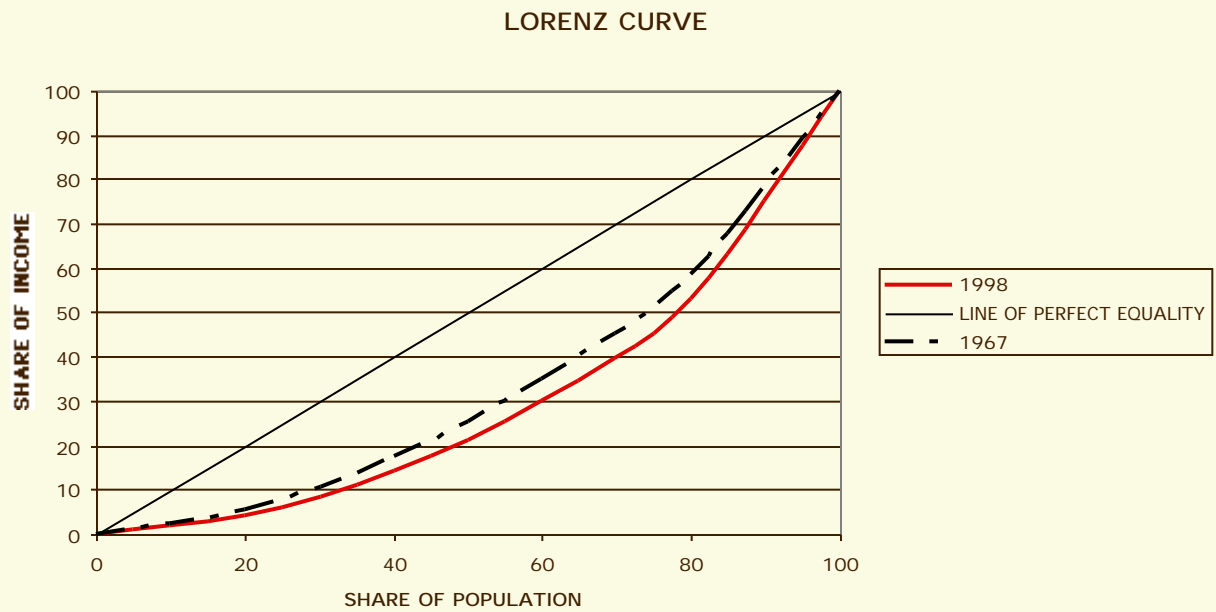
Frequency Distribution



The Lorenz Curve

- ✓ The percentages of the population from poorest to richest on the horizontal axis and the percentages of income enjoyed by bottom X% of population on vertical axis
- ✓ The greater the distance between the line of equality and the Lorenz curve, the more unequal the distribution

The Distribution of Income Less Equal in 1998 than in 1949

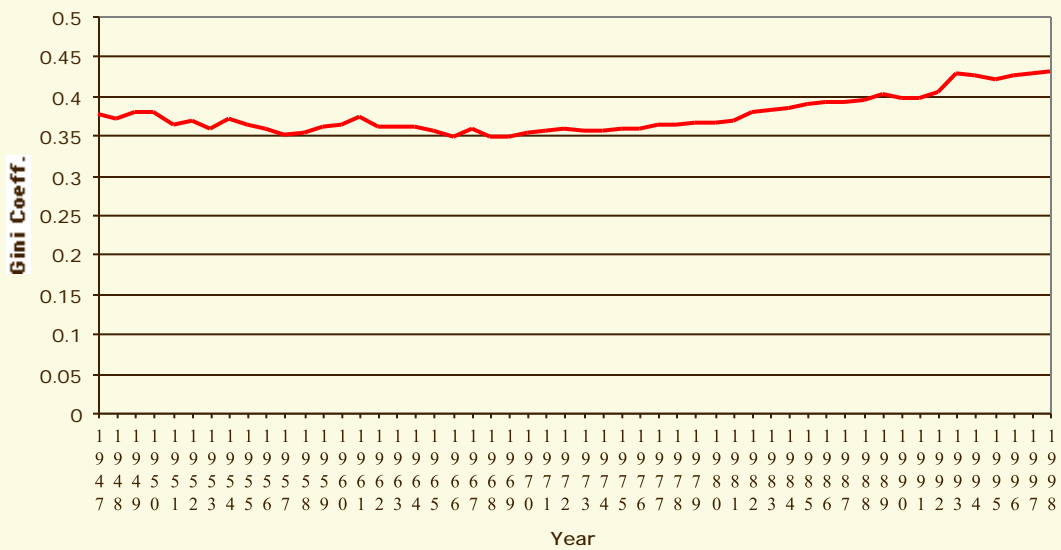


The Gini Coefficient

- ✓ The ratio of the difference between the line of perfect equality and the Lorenz curve to the triangular region underneath the diagonal
- ✓ $G=0$ indicates perfect equality. $G = 1$, inequality grows
- ✓ $G=0.5n^2\mu\sum_i\sum_j|y_i-y_j|$

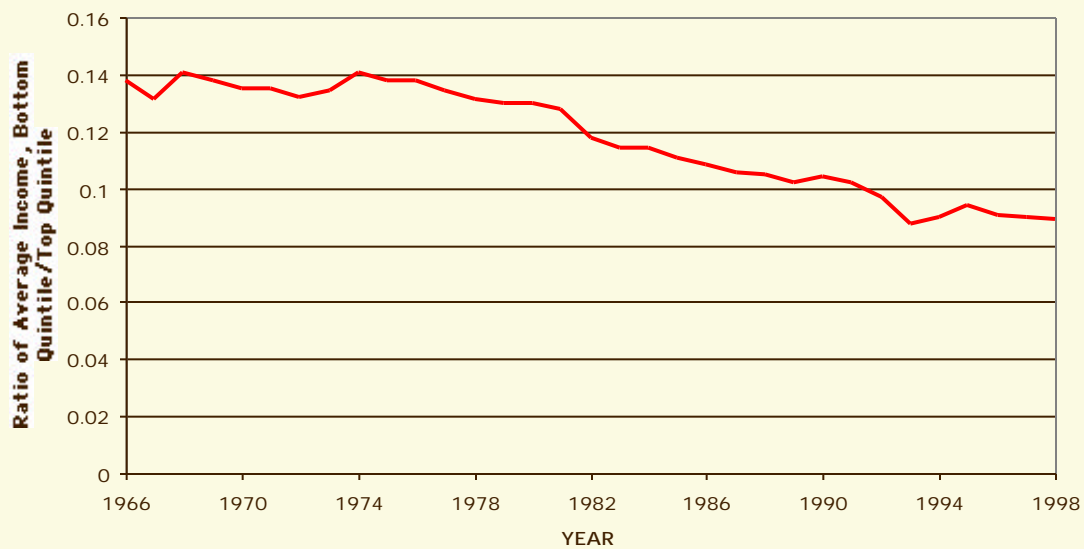
The Gini Coefficient Has Increased Since 1972.

GINI COEFFICIENT, 1947-1998



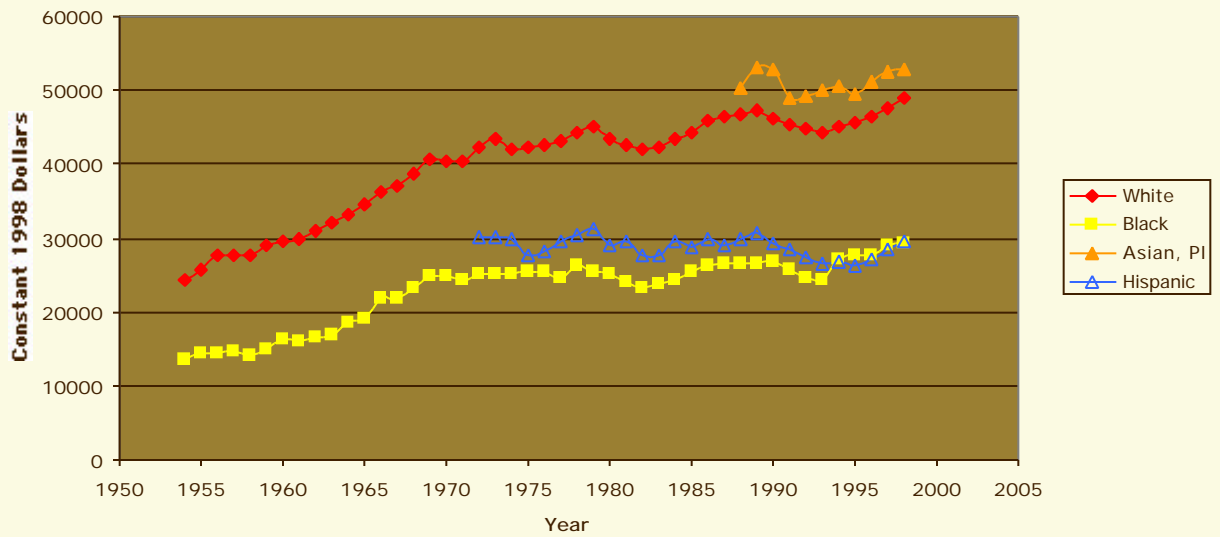
The Gap Between Rich and Poor Has Increased

The Gap Between Rich and Poor Grew Between 1969 and 1998



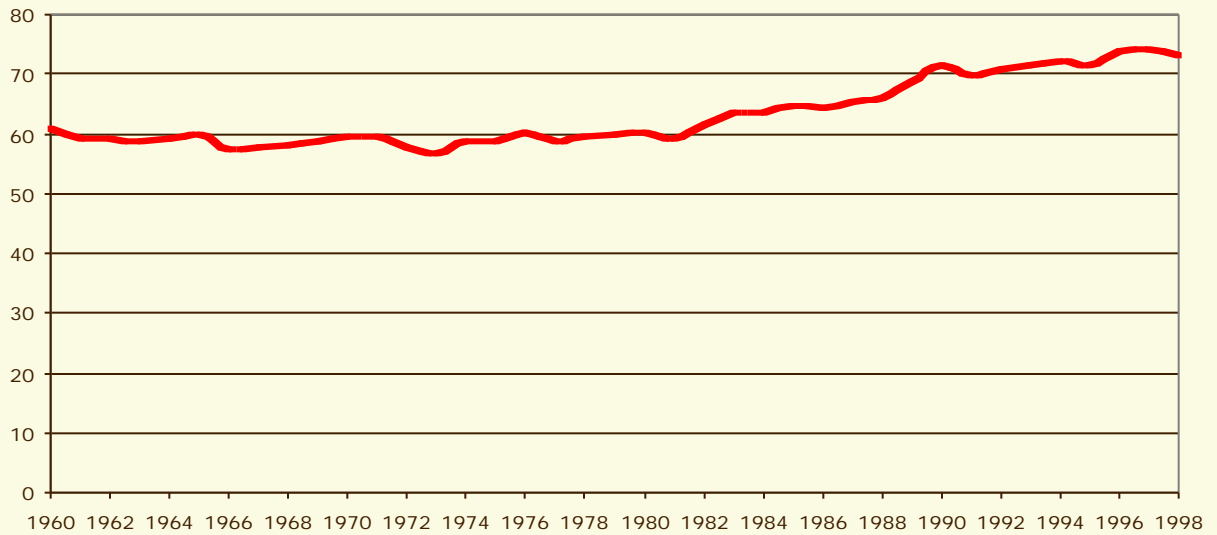
Racial Gaps Persist

Median Family Income, By Race



The Gender Gap Has Narrowed.

Ratio of Women's Earnings to Men's Earnings: 1960-1998

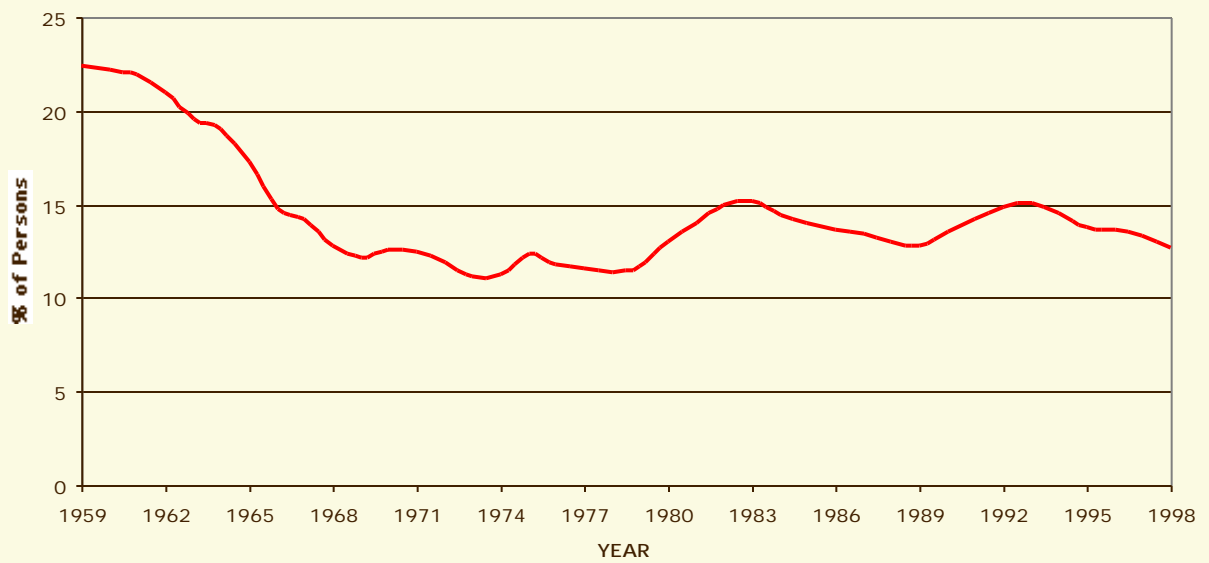


The Poverty Rate

- ✓ Define An Income Required for Minimum Subsistence
- ✓ Percentage of Persons Living in Households with Incomes Below This Threshold Are Poor

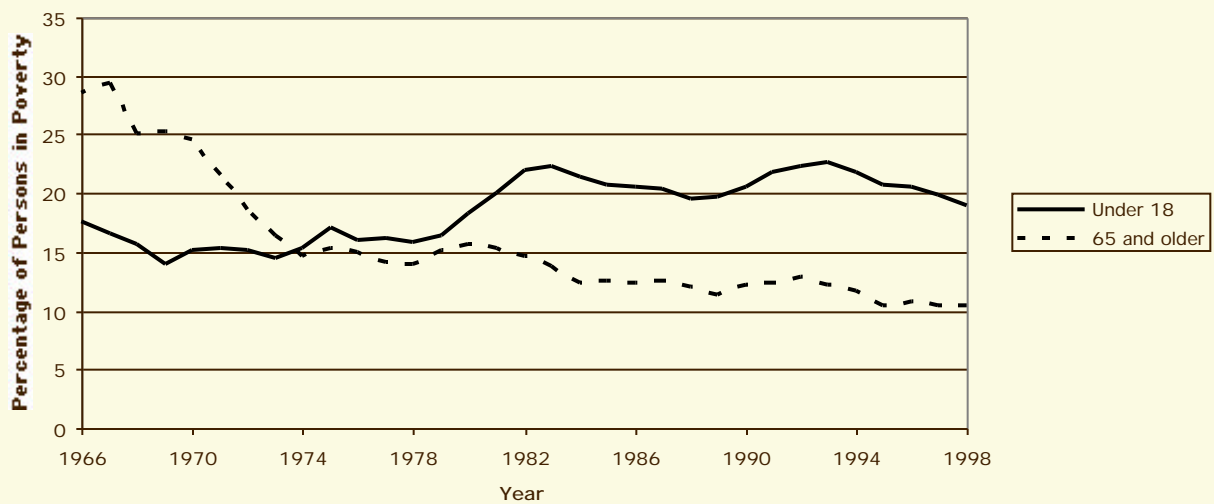
Poverty Rates Have Fallen in Recent Years.

Poverty Rate, 1959-1998



The Poverty Status of Elderly Has Improved, But That of Children Has Not.

The Poverty Rate Among the Elderly Decreased; The Poverty Rate for Children Increased



What Happened?

- ✓ How do we explain the movement toward equality from 1947 through the 1960's?
- ✓ How do we explain the widening inequality in the 1970s and 1980s?
- ✓ What do we predict for the report to be released in September?

Shortcomings of Inequality Measures

- ✓ Income is measured as income in a single year. No indicator of mobility
- ✓ Size of family units or households vary so needs vary
- ✓ Current income is inadequate measure of consumption possibilities
 - Wealth allows access to goods
 - Public goods
 - Variationsn in living costs.