



DATAPOST

Income Inequality

Measuring the Gap

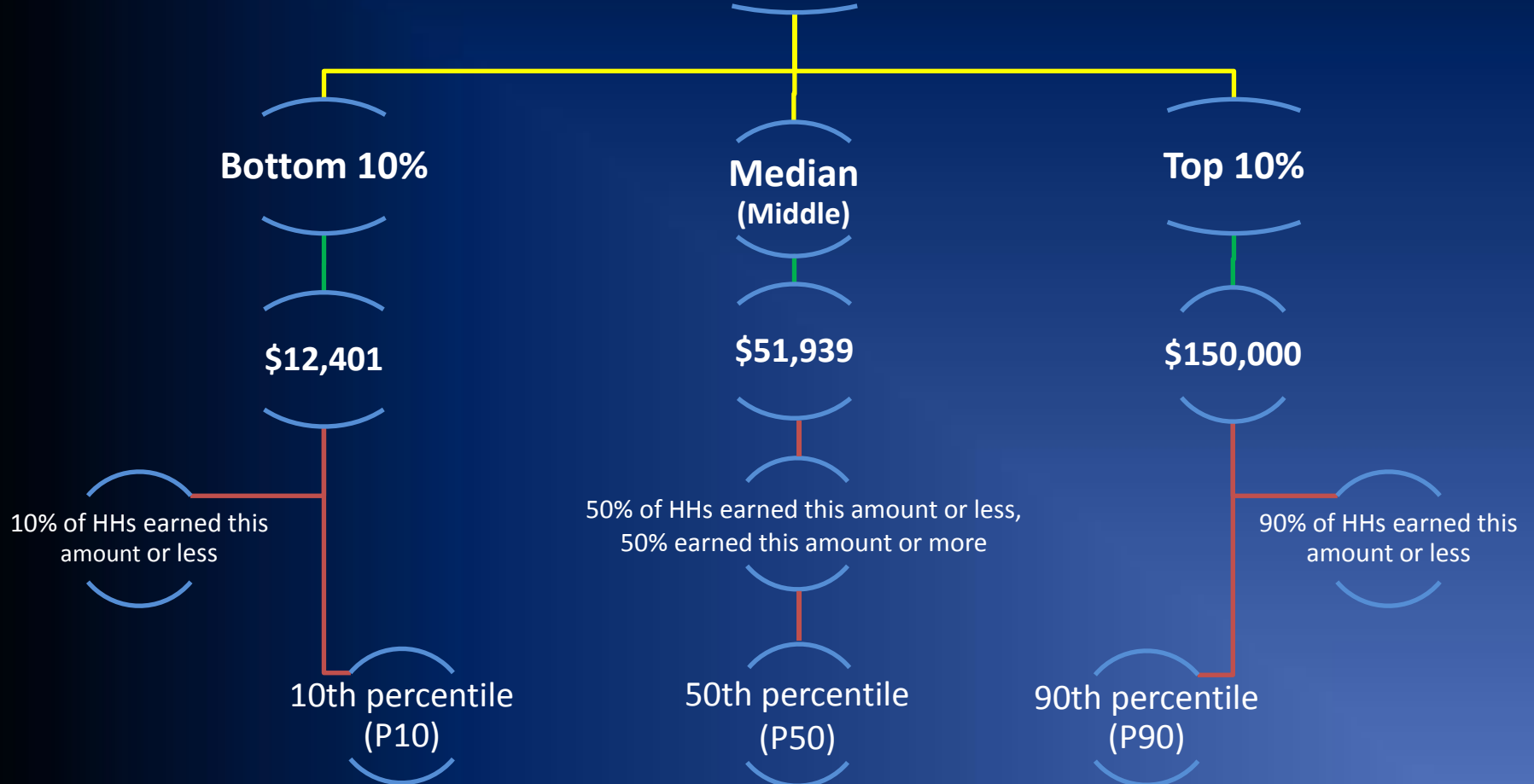
Date last updated: October 6, 2014

Federal Reserve Bank of San Francisco
Economic Education Group

Household (HH) Income

A Snapshot of 2013

U.S. Households

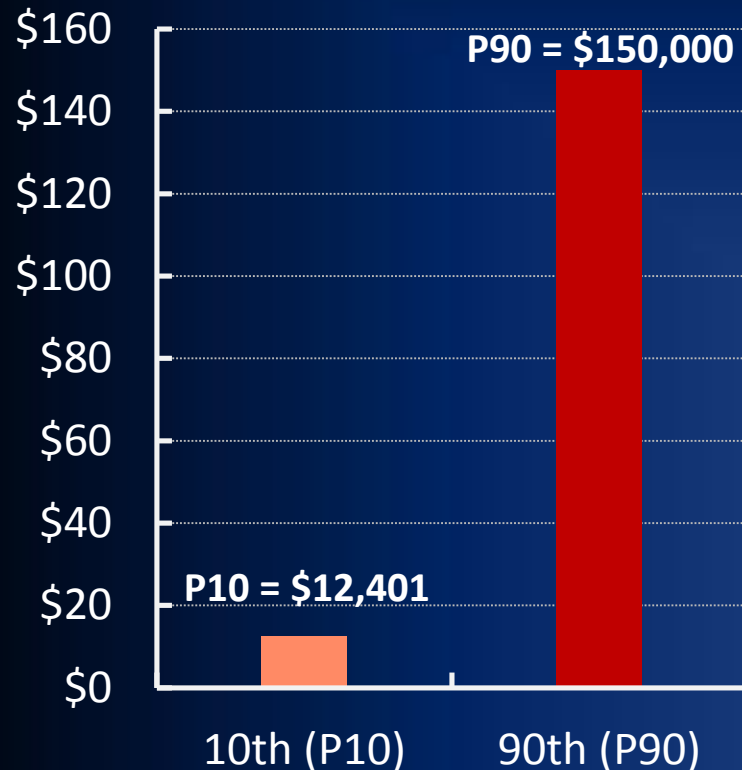


The P90/P10 Ratio

A Measure of Income Inequality

U.S. Household Income in 2013

(Percentile limits in \$1,000s)



Source: U.S. Census Bureau, pre-tax/transfer HH income in 2013
CPI-U-RS adjusted dollars

One way to highlight the difference between the high end and the low end of the income distribution is to create a ratio of the 90th and 10th percentiles.

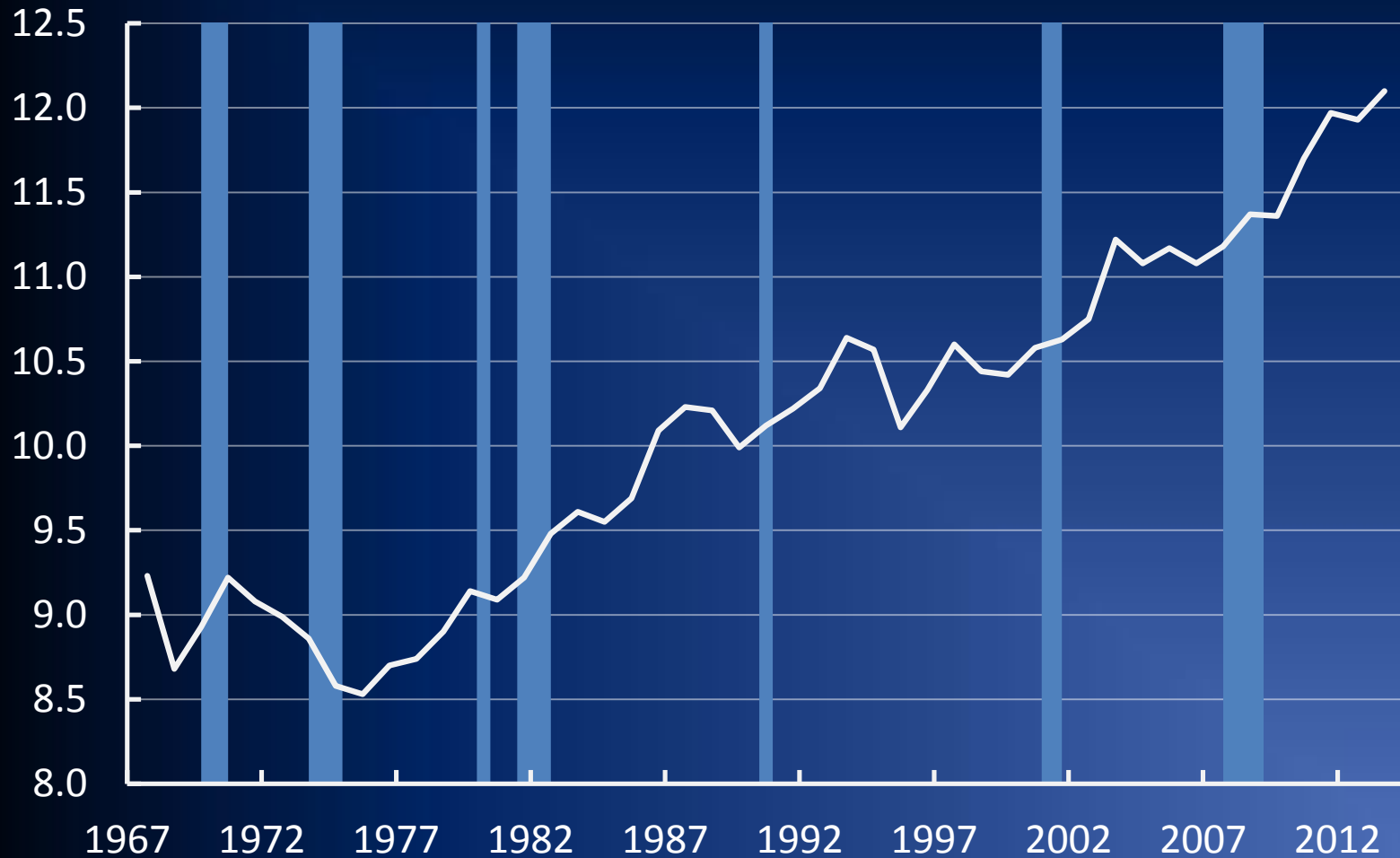
$$\frac{P90}{P10} = \frac{\$150,000}{\$12,401} = 12.10$$

This means that household income at the 90th percentile is **more than 12 times** household income at the 10th percentile.

In 1990, the P90/P10 ratio was 10.12.

Inequality in Household Incomes

P90/P10 Ratio (1967–2013)

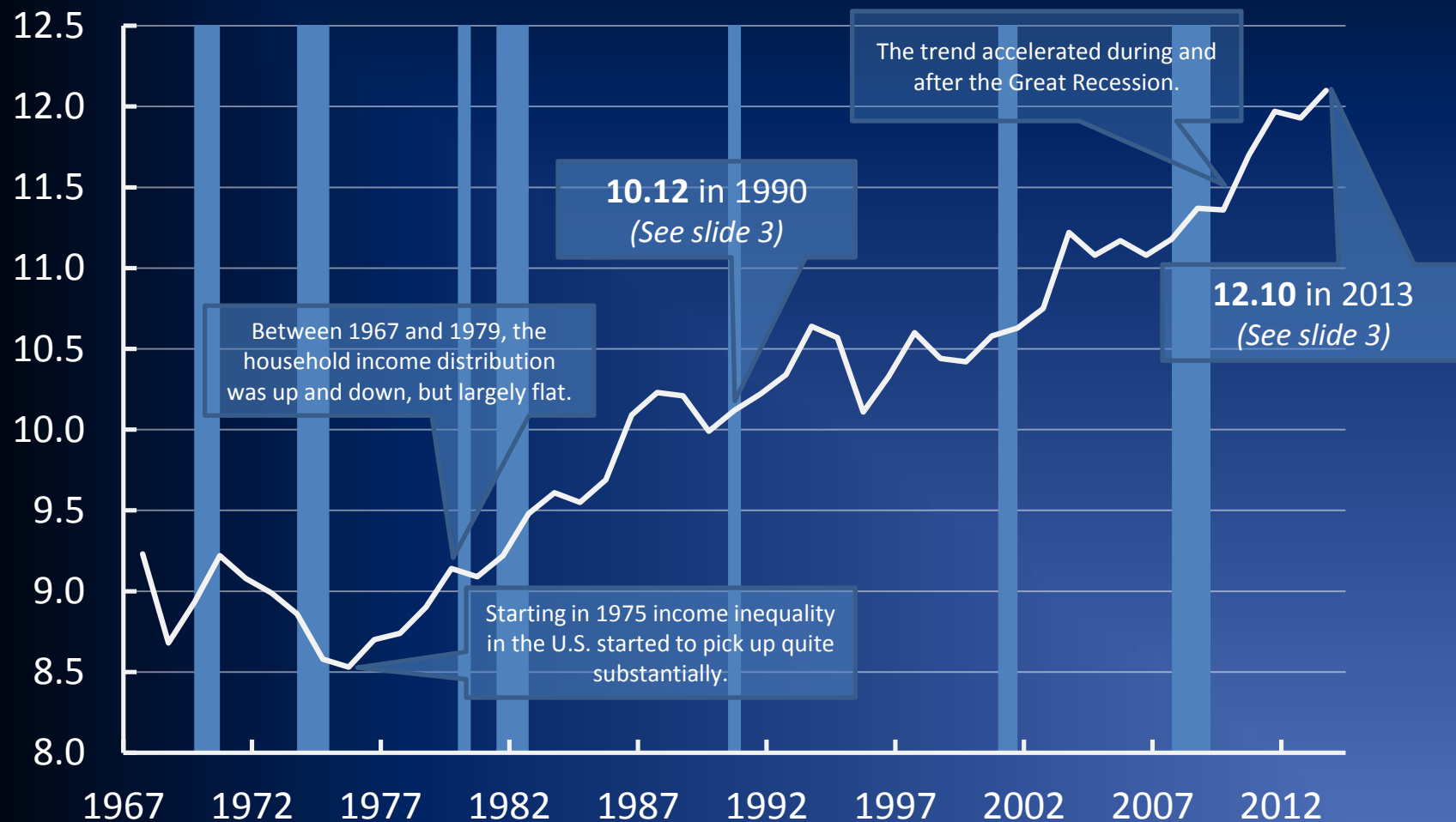


Source: U.S. Census Bureau, pre-tax/transfer HH income

Annotated Chart Notes

Inequality in Household Incomes

P90/P10 Ratio (1967–2013)



Source: U.S. Census Bureau, pre-tax/transfer HH income

What are the Facts?

1. In 2013, what percentage of U.S. households earned \$150,000 or more?
(See slides 2 or 3)
2. In 2013, what income level was at the 10th percentile?
(See slides 2 or 3)
3. What was the P90/P10 ratio in the year you were born?
(See slide 4)
4. In which year was the P90/P10 ratio the lowest? The highest?
(See slide 4)
5. What has been the trend in the P90/P10 ratio since 1975?
(See slide 4)
6. What does the P90/P10 ratio tell us about household incomes?

View [in-depth talks on income inequality](#) by visiting the FRBSF
Economics in Person [video series](#)