Income Inequality
Measuring the Gap

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Federal Reserve Bank of San Francisco
Education & Outreach
Household (HH) Income
A Snapshot of 2016

U.S. Households

Bottom 10%
$13,608
10% of HHs earned this amount or less

10th percentile (P10)

Median (Middle)
$59,039
50% of HHs earned this amount or less, 50% earned this amount or more

50th percentile (P50)

Top 10%
$170,536
90% of HHs earned this amount or less

90th percentile (P90)

www.frbsf.org/education/teacher-resources/datapost
FRBSF Education & Outreach
The P90/P10 Ratio
A Measure of Income Inequality

U.S. Household Income in 2016

<table>
<thead>
<tr>
<th>Income Range</th>
<th>10th (P10)</th>
<th>90th (P90)</th>
</tr>
</thead>
<tbody>
<tr>
<td>$200K</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$150K</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$100K</td>
<td></td>
<td></td>
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<tr>
<td>$50K</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$0K</td>
<td>$13,608</td>
<td>$170,536</td>
</tr>
</tbody>
</table>

Source: U.S. Census Bureau, pre-tax/transfer HH income in 2016 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.

\[
\frac{P90}{P10} = \frac{\$170,536}{\$13,608} = 12.53
\]

This means that household income at the 90th percentile is over 12 times household income at the 10th percentile.

In 1990, the P90/P10 ratio was 10.12.
Inequality in Household Incomes

P90/P10 Ratio (1967–2016)

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

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Inequality in Household Incomes
P90/P10 Ratio (1967–2016)

Starting in 1975 income inequality in the U.S. started to pick up quite substantially. Between 1967 and 1979, the household income distribution was up and down, but largely flat.

The trend accelerated during and after the Great Recession.

10.12 in 1990
(See slide 3)

12.53 in 2016
(See slide 3)

Source: U.S. Census Bureau, pre-tax/transfer HH income
What are the Facts?

1. In 2016, what percentage of U.S. households earned $170,536 or more? (See slides 2 or 3)
2. In 2016, 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